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# GOVERNOR'S BUDGET SUMMARY



1998-99

Pete Wilson, Governor  
State of California



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# GOVERNOR'S BUDGET SUMMARY



## 1998-99

Submitted by  
Pete Wilson, Governor  
State of California  
to the  
California Legislature  
1997-98 Regular Session





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## State of California



January 9, 1998

To the Senate and the Assembly of the California Legislature:

I submit for your consideration the Governor's Budget for 1998-99.

In this past year, the most productive in recent memory, our cooperation brought about a fundamental overhaul of the state's welfare system, significant tax relief for millions of working Californians, and expansion of the reforms that are dramatically improving the health care and education of California children, so that each will be afforded full opportunity to be all that he or she can be.

While we can be proud of these accomplishments, much work remains for us to do. If we apply the same energy and determination that marked the end of our work in 1997, we can achieve even greater progress in 1998. This Budget provides a blueprint of prudent investments in California's future – in better schools, in public safety, in preventive government, and in a stronger system of state infrastructure – that build upon our successes these past seven years.


California has been through remarkable change during the past seven years that I've been privileged to serve as Governor. We have withstood an unprecedented string of natural disasters, weathered the state's worst economic recession in a half-century, and seen our state's economy come rebounding back to lead the world in producing the jobs of the 21<sup>st</sup> Century. But throughout this turbulent period, there has been one constant: the determination, ingenuity, and spirit of our people that have powered and driven California's return to greatness.

Let us be worthy of their spirit, and work this year to make California safer, stronger, and more secure for this generation, and for generations to come.

Sincerely,

A handwritten signature in blue ink that reads "Pete Wilson".

PETE WILSON



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January 9, 1998

Dear Governor:

As Director of Finance, it is my pleasure to submit to you the 1998-99 Governor's Budget.

In 1997, you and the Legislature made significant accomplishments that will improve the long-term strength and health of California. Your Class Size Reduction program was expanded to a fourth year, tax relief was provided for millions of Californians, a health care plan for needy and uninsured children was adopted, and a comprehensive welfare-to-work program was enacted.

The Budget builds upon these successes, and puts forth an agenda for even further achievement in 1998. Your education agenda is expanded through investment in programs that will promote greater academic improvement and enhance teacher training. The Budget funds an array of programs that reflect your commitment to preventive government, and includes the new Early Childhood Development Initiative. The Budget also includes a significant proposal to maintain and expand the state's infrastructure system for the 21<sup>st</sup> Century. These and other investments are made possible through the continuing exercise of strong fiscal discipline, which has helped restore the State's financial stability.

My gratitude to the dedicated staff of the Department of Finance and their families cannot be expressed adequately in this space. Preparing a Budget for the equivalent of the world's seventh-largest economy is a monumental task. Once again, they have performed this task with their trademark of professionalism. You, the Legislature, and the people of California continue to be served well by their hard work and their commitment to maintaining sound fiscal principles.

I look forward to working with you to make 1998 a year of lasting accomplishment.

Sincerely,

A handwritten signature in blue ink that reads "Craig L. Brown".

CRAIG L. BROWN  
Director





# BUDGET OVERVIEW

**A**s 1998 begins, California enjoys a continuing economic expansion, with record levels of employment and the lowest unemployment rate since 1990. Both personal income growth and job growth rates are higher than the rest of the United States, and economic growth has become more broadly based throughout California.

The year also begins with a challenge to match the high levels of accomplishment in 1997. Governor Wilson and the Legislature succeeded in making substantial changes in a broad array of policy areas in 1997, making it the most productive legislative session in many years.

Among 1997's key accomplishments were:

**Tax Cuts**—The Governor signed a tax-reduction package which, when fully implemented, will provide Californians with more than \$1 billion in tax relief. An increase in the dependent credit, greater capital gains exemptions for home sales, increased research tax credits, and greater savings incentives for educational expenses or first-time home purchases are among its principal provisions.

**Welfare Reform**—CalWORKs—the most significant reform of state social policy in decades—was enacted.

**Class Size Reduction**—This successful program was expanded to a fourth year and fully funded at \$1.5 billion, allowing students in grades K-3 to receive more individualized instruction.

**Student Testing**—A standardized test to measure the academic performance of students in California's public schools will be administered this Spring. This new test will provide individual scores for the more than 4 million students in grades 2-11.

**Healthy Families**—This new program will provide affordable health insurance to an estimated 580,000 uninsured children of California's low-income working families.

**Local Government**—The Governor and the Legislature reached agreement on a measure to restructure funding for the state's trial court system and to provide fiscal relief to cities and counties.

.....◆.....  
*Governor  
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Legislature  
succeeded in  
making  
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broad array of  
policy areas  
in 1997...*  
.....◆.....

## BUDGET OVERVIEW

**Reduced Higher Education Fees**—Student fees for resident undergraduate University of California (UC) and California State University (CSU) students will be reduced by five percent this fall, and then held at that lower level for an additional year. Fees will also be reduced this fall for California Community College resident students by \$1 per unit.

**PERS Payment**—The State's \$1.2 billion principal obligation to the Public Employees' Retirement System was paid in full—saving the state hundreds of millions of dollars in long-term interest costs.



The 1998-99 Governor's Budget is designed to further economic growth, educational reform, public safety, preventive government and environmental quality by investing in these key areas:

**In K-12 Education**—The Budget includes \$350 million to lengthen the school year to 180 days while maintaining sufficient funds for staff development days. It also invests in programs designed to improve and enhance teacher training, academic achievement, school choice and school safety.

**In Higher Education**—The Budget fully funds the fourth and final year of the Governor's Compact with Higher Education and calls for the development of a new compact with UC and CSU. The Budget also provides planning funds for a tenth UC campus, and includes more than \$39 million to fund CSU enrollment growth above the Compact level.

**In Economic Development**—The Budget provides \$50 million in General Fund and \$200 million in a proposed bond to capitalize the Infrastructure and Development Bank, which will provide capital to local governments to help businesses locate and expand in California, and \$3 million for the small business loan guarantee program. Also, in recognition of the importance of exports to the state's economic growth, the Budget establishes four new trade offices in Asia and South America.

**In Prevention**—The Budget contains an Early Childhood Development Initiative, designed to improve the health and development of children from birth to age three. The Budget also expands funding for breast cancer screening, ovarian and prostate cancer research, and the mentoring of at-risk youths.

**In Public Safety**—The Budget provides additional funds for anti-gang programs and for the apprehension of sexual predators.

**In Resources**—The Budget funds initiatives to protect California's coastline and watershed areas, and to meet commitments for the state/federal plan to improve the water quality of Lake Tahoe.

**In Infrastructure**—The Budget proposes an ambitious \$7 billion investment plan to maintain and build the State's system of schools, water supply prisons, natural resources, and other important infrastructure.



# THE CALIFORNIA ECONOMY THEN AND NOW

California has just completed another year of robust economic growth:

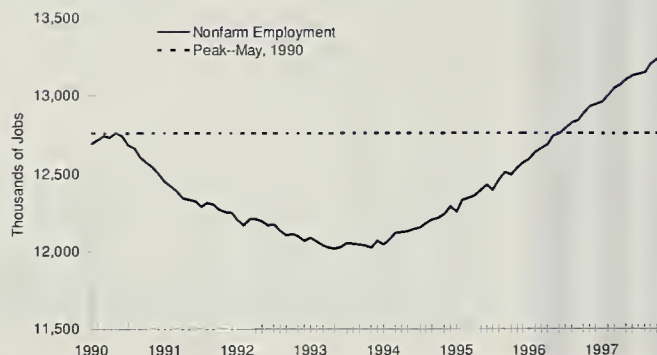
- ☛ The State's unemployment rate has fallen to 5.8 percent, the lowest level in more than seven years.
- ☛ Civilian employment grew by more than 400,000 last year.
- ☛ Personal income in 1997 increased more than 7 percent—a gain of 5 percent after adjusting for inflation, and the largest rise in real purchasing power since 1983.
- ☛ Existing home sales exceeded 550,000 units in 1997, and by late 1997 were running at a near-record pace of more than 600,000 units at an annual rate. Statewide, home prices are 10 percent above the year-earlier level, with every market included in the Realtors' survey showing year-to-year increases.
- ☛ Reflecting the ongoing strength in home sales, a recovery in new home construction is now underway, with building permits reaching an annual rate of more than 130,000 units in October.
- ☛ To meet the surging demand for industrial buildings and commercial office space, nonresidential construction jumped more than 28 percent last year, including gains of more than 50 percent in industrial structures and nearly 200 percent in new office buildings.

However, the decade of the 1990s began on a far different note. When the Governor assumed office in January 1991, California was in the midst of what turned out to be the State's longest and deepest recession since the 1930s. By then, the State had already lost 312,000 jobs—a figure that would eventually swell to nearly 750,000.

.....◆.....  
*Personal  
income in 1997  
increased  
more than  
7 percent...*  
.....◆.....

**FIGURE A**

**California Nonfarm Employment,  
1990 to 1997**



**The Defense Downturn.** Deep cuts in the nation's defense budget were the main reason that California's downturn was so much more severe than in most other regions of the country. Aerospace manufacturing—including aircraft, missiles, space vehicles, and navigation instruments—had been the State's leading export industry in the 1980s, as measured by sales to the rest of the United States and by overseas shipments. By 1996, nearly 60 percent of California's more than 385,000 aerospace jobs had been eliminated.

In addition, California suffered more than two-thirds of all of the nation's job losses resulting from military base closures. Federal Department of Defense civilian employment in California is down more than 60,000 from the late 1980s peak and is still falling. Active-duty military personnel have declined by more than 150,000.

Because these job losses were export jobs—bringing money into California from the rest of the nation and the rest of the world—there were also significant secondary effects. For example, each aerospace job supported at least 1.4 workers in supplier and service industries—metal castings, electronic components, and fasteners within the factories, and retailing, banking, services and public schools for the employees and their families. Similar secondary effects arose from the loss of federal jobs as well.

Part of the aerospace decline relates to a recession—which has now ended—in the commercial aviation market. But setting aside the commercial component of the downturn, well over three-quarters of the jobs lost during the recession—575,000 to 600,000 jobs, including secondary effects—can be traced to the severe cuts in defense spending, which California suffered far more than any other state.

**Improving the Jobs Climate.** The defense downturn revealed a number of systemic problems in the California economy. The strength of the defense sector of the economy masked a growing list of detrimental policies and practices that had taken hold in government and in certain segments of the private sector as well. But, California could no longer take its economic growth for granted. Replacing the 750,000 jobs lost during the recession demanded that close attention be paid to the State's business climate.

The Governor and the Legislature responded with a variety of measures designed to reduce business costs, cut taxes, encourage private investment in California, and simplify and rationalize an increasingly complex regulatory maze. The employer savings are also beneficial for employees, as California companies can stabilize employment practices, increase the number of employees, and still remain globally competitive. Some of the major initiatives included:

- ☛ A reform of California's fraud-ridden Workers' Compensation system, which by the early 1990s was commanding some of the highest premiums yet providing some of the lowest benefits of any program in the nation. The reform included a 40-percent premium reduction, which is now saving employers more than \$4 billion per year.
- ☛ Enactment of a Manufacturers' Investment Credit, which offset the state sales tax on manufacturing equipment, thus lowering the cost of investing in California factories.
- ☛ Enactment of the proposal to cut the Bank and Corporation tax by 5 percent to 8.84 percent, thus lowering the cost of doing business in California by \$300 million per year.
- ☛ The tax rate on Subchapter "S" corporations was reduced from 2.5 percent to 1.5 percent, and the requirements for qualification for Subchapter "S" status were liberalized in conformity with recent federal law changes. Subchapter "S" corporations are closely held firms that pay a reduced corporate tax and have their income and expenses flow through to their shareholders.

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*The Governor  
and the  
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responded with  
a variety  
of measures  
designed  
to reduce  
business costs,  
cut taxes,  
encourage  
private  
investment in  
California...*  
.....◆.....



- ☛ The State's research and development credit was extended indefinitely, and increased from 8 percent to 11 percent for qualified research and from 12 percent to 24 percent for basic research. Also, an alternative incremental credit was enacted which conforms closely to federal law.
- ☛ The Governor created innovative "Red Teams" comprised of key decision-makers from the public and private sectors who work together to quickly reduce regulatory barriers to job creation around the State.
- ☛ Beginning in 1998, all new regulations will require an Economic Impact Statement, compelling state agencies to evaluate the true costs of their regulations and to consider alternative regulatory methods, including market-driven structures. Regulations will now be reviewed by the Trade and Commerce Agency to ensure that the least complex and most cost-effective methods are applied.

Current actions and proposals to improve the jobs climate include:

- ☛ The Budget includes \$250 million to capitalize the Infrastructure and Economic Development Bank—\$50 million of General Fund and \$200 million in bond funds. The Bank will operate much as an investment bank, helping local governments and businesses to finance roadways, sewers, water mains, defense conversion projects, and other critical infrastructure needs. The Bank can attract private capital, and the projects it helps fund will facilitate direct private investment and job creation.
- ☛ Thousands of regulations identified as useless or outdated have been abolished. In addition, the Administration opened 13 one-stop permit assistance centers to provide a single point of contact in guiding businesses through the regulatory system. The California Environmental protection Agency's Permit Assistance Centers have expanded onto the Internet. California Government On-Line to Desktops (CalGOLD) provides customized responses to each permit service request, directly to the customer's desktop computer.

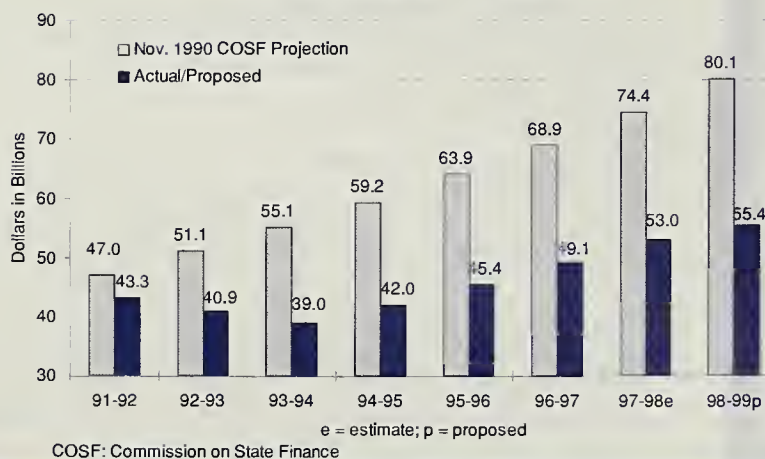
In addition to these business-related measures, personal income taxes have also been significantly lowered:

- ☛ The centerpiece of 1997's \$1.1 billion tax cut package was a significant personal income tax cut which will total \$800 million when fully implemented in 1999-2000. Chapter 612, Statutes of 1997, reduces the tax burden on lower- and middle-income families by more than tripling the exemption credit for children and dependent parents, from \$68 in 1997 to an estimated \$222 in 1999.

.....◆.....  
*The  
 centerpiece  
 of 1997's  
 \$1.1 billion  
 tax cut package  
 was a  
 significant  
 personal  
 income tax  
 cut...*  
 .....◆.....

**FIGURE B**

## California General Fund Expenditures 1990 Projection v. Actual



☞ Other personal income tax measures that were key parts of the 1997 tax relief package include: conforming with new federal IRA rules; increasing and indexing of the alternative minimum tax exemptions; and conforming with federal capital gains rules on home sales. Taken together, these items will reduce the personal income tax by \$186 million, in addition to the almost \$800 million in increased dependent credit amounts.

☞ The 10- and 11-percent personal income tax brackets expired on schedule and as promised on January 1, 1996.

**Restoring Fiscal Balance.** In addition to fostering a vast improvement in California's jobs climate, it was also necessary to stabilize the State's own fiscal situation.

By the late 1980s, many observers concluded that most General Fund expenditures—90 percent or more by some calculations—were "uncontrollable," beyond the discretion of the Governor and Legislature. The government budget of the world's seventh largest economy was essentially running on auto-pilot. But in order to restore the State's fiscal integrity, a major change in the basic trend of state government spending was essential.

Today, that lower trend has indeed been established. A forecast made by the Commission on State Finance in November 1990 projected then current-law General Fund spending "demands" growing at a compound annual rate of more than 8 percent a year throughout this decade. By 1998-99, these General Fund demands were projected to exceed \$80 billion—nearly \$25 billion or 45 percent more than the \$55.4 billion actually proposed in the Budget. These savings could never have been achieved under the old regime of "auto-pilot" budgeting. Fundamental change was required and fundamental change was achieved.

**The California Comeback.** California is now well into a remarkable economic recovery. Since the recession bottomed in 1993, more than 1.2 million jobs have been created—nearly 1.1 million of those since the beginning of 1995, when the pace of the recovery began to quicken. During this most-recent three-year period, California created more jobs than New York, Illinois, Ohio and Michigan combined.

Business investment has surged, with nonresidential building permit value approaching the 1988 peak, led by huge gains in new commercial and industrial construction. In the residential sector, existing home sales are also approaching peak levels, and homebuilding activity is on the rise.

This remarkable comeback is being led by a variety of high-technology industries, some of which scarcely existed in the late 1980s—the public Internet, multimedia, wireless communications, and biotechnology. Electronics manufacturing, computer software design and publishing, motion pictures, and now even aerospace are also contributing to the expansion.

Along with these high-technology industries, California continues to excel in a variety of other important endeavors. For example, apparel and textile manufacturing added 4,500 jobs during 1997, at a time when the U.S. lost 55,000 apparel jobs. Agricultural output exceeded \$25 billion in 1997, twice the production of the number-two state, Texas.

As remarkable and gratifying as this economic comeback has been, California cannot again afford to become complacent. Government can—and must—create an environment that is conducive to private economic growth. This means that, where regulation is warranted, it must be economically efficient, relying if possible on market mechanisms to achieve the desired goal.

.....◆.....  
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.....◆.....



# K-12 EDUCATION

## CONTINUING THE RENAISSANCE

**C**alifornia is in the midst of an educational renaissance—a fundamental restructuring of the State’s educational programs and policies. In the last two years alone, nearly \$5 billion in total funds has been added to the K-12 education budget. The movement toward high standards—and a basic reform of teaching methodology—has been significant. The Governor has worked closely with the Legislature to achieve these lasting educational programs:

**Class Size Reduction.** This highly successful program is designed to provide more individualized instruction for primary grade students as they learn the basics of reading, writing, spelling, and mathematics. To date, 95 percent of eligible districts are participating in this \$1.5 billion program, and data reported from many school districts verify that class size reduction is already helping to improve student test scores.

**Reading Initiative.** More than \$200 million has been provided to purchase phonics-based textbooks for every kindergarten through grade three (K-3) student, as well as to provide training in phonics instructional methods to all K-3 teachers. Additionally, the 1997-98 Budget provided \$47 million for teacher training in grades four through eight.

**World-Class Standards.** In 1997, the State Board of Education adopted clear and rigorous academic standards for language arts and mathematics. These standards blend basic skills with more complex concepts in order to provide the foundation for a world-class quality education. The standards for history/social science and science are due in the Fall of 1998.

**Statewide Testing and Reporting.** These new standards will be the basis for future alignment with the statewide test enacted through legislation last year. The test will measure the progress of students in grades 2-11 in meeting the new standards. A total of nearly 4.4 million students will take this test for the first time in the Spring of 1998, with results to be announced by June 30th. The test will provide individual student scores to parents and teachers. Scores by school, district, county, as well as statewide will be reported to provide a means to accurately compare achievement levels among schools.

Continuing this level of commitment and leadership, the Budget again makes education the top priority, with total funding of \$39.6 billion—an increase of almost \$15 billion since 1991. Total per-pupil funding is at its highest point ever at \$6,749—an increase of more than \$500 in the past two years. The Budget again targets funds for key programs designed with the success of students as the primary focus.

.....◆.....  
*Continuing  
this level of  
commitment  
and  
leadership,  
the Budget  
again makes  
education  
the top  
priority...*  
.....◆.....

## STUDENT ACADEMIC IMPROVEMENT

**Instructional Time/Teacher Staff Development Days.** Many students in California spend less time in the classroom than their counterparts throughout America and the world. In Japan and Germany, students spend more than 200 days in the classroom. In contrast, in some California districts, students spend as few as 172 days in the classroom because districts are authorized to use up to eight days of the 180-day school year for staff development. In 1997-98, legislation authorized \$50 million to buy back one of these staff development days, if it was offered to teachers outside the 180-day school year. The Budget earmarks an additional \$350 million, for a total of \$400 million, to lengthen the school year to a minimum of at least a full 180 days in every school and district in California. These funds will enable districts to provide staff development necessary to improve the quality of instruction outside of the mandated 180 days of instruction. In return, schools will be required to permanently eliminate all staff development days within the 180-day instructional calendar, and must adhere to other reforms of instructional time that will provide more classroom hours for all pupils.

**Remedial Reading Summer School Grants for Grades 3-6.** For those students who are not testing at or above grade-level in reading proficiency, the Budget provides \$10 million for summer school programs to provide remedial instruction to bring those students up to grade-level in reading proficiency.

**Academic Volunteer Mentor Program.** The Budget provides an additional \$5 million to expand this highly successful Program which provides mentors and tutors at the school site to assist students in improving their academic skills. The preliminary findings from the first-year evaluations of the Program indicate that it is having a substantial impact on student performance, attendance, and discipline. This funding will double the Program which currently serves over 6,600 students through more than 4,000 academic mentors.

**Summer School for Math and Sciences.** The Budget provides \$1 million to establish a summer academy (similar to the existing Summer School for the Arts) for training and teaching young math and science scholars. This residential program will be designed to promote an interest in and respect for these disciplines, and encourage students with unique aptitudes in math and science to pursue those skills.

**Digital High School.** The Budget provides \$136 million to fund the second round of Digital High Schools. The program was launched last year to provide every California high school student with computer training and access to the resources of the Information Superhighway within four years. In 1997-98, 216 Digital High Schools were funded through an allocation of \$100 million in the Budget. Ultimately, this \$500 million program (with an additional \$500 million coming from matching funds) will benefit every California high school. After implementation, this program also provides funds for system upgrades.

## TEACHER TRAINING AND QUALITY

**Beginning Teacher Support and Assessment (BTSA).** The BTSA program has a proven track record of improving the performance, retention, and job satisfaction of beginning teachers. The 1997-98 Budget expanded the program by \$10 million—for a total of \$17.5 million. The Budget nearly doubles the funding to \$33.6 million, enabling the program to serve 50 percent of the target population (10,600 teachers).

**Teacher Instructional Training in Math.** The State's recently adopted mathematics standards are more rigorous and demanding than the curriculum currently used in California's classrooms,



creating a need to train teachers to appropriate skill levels. The Budget provides \$40 million to provide leadership training in mathematics instruction similar to that conducted for the Governor's Reading Initiative.

**Salary Schedule Pilot Program.** The Budget provides \$1 million to begin a pilot program to link local salary schedule increases to the learning of specific skills needed in the classroom.

**Teacher Performance Assessment.** To change the current credentialing process from one based on program completion to one based on demonstrated teacher competence, the Budget provides \$1.5 million for the Commission on Teacher Credentialing to develop a performance assessment for teacher credential candidates. The assessment will eventually be given statewide to 30,000 candidates annually.

**Fast-Track Route to a Teacher Credential.** The Budget provides \$100,000 to design integrated preparation programs for college students who know in their freshman and sophomore years that they want to go into teaching.

**Alternative Credentialing.** To meet the continuing critical need to attract more people to the profession of teaching, the Budget provides an additional \$1 million to expand alternative credentialing programs, such as the existing district intern (on-the-job training and learning) program, bringing total funding to \$7.5 million.

**Pre-Intern Program.** The Budget provides \$3.8 million to the California Pre-Internship Teaching Program, administered by the Commission on Teacher Credentialing, to issue pre-intern teaching certificates. This Program is designed to provide extra training and support to emergency permit teachers—those so new to the profession they are not yet qualified to become a district intern—who have met specific qualification criteria. This Program is the first step in a series of support programs for new teachers to help reduce attrition.

**National Board Certification.** The highest certification that a teacher can obtain is to be Nationally Board Certified, a rigorous process which certifies a teacher's competence in subject matter knowledge, teaching skills, school leadership, and community participation. To increase the number of teachers who want to become Board-certified, the Budget provides \$1 million to reimburse the cost of certification—at a rate of \$1,000 per teacher for a maximum of 1,000 teachers.

**Reading Instruction Training in Grades 4-12.** The Budget allocates \$30.9 million to build upon and continue the Governor's Reading Initiative by providing reading instructional training to teachers in upper grades (4-12) or for reading materials. To receive funds, a school must have a reading program specifically designed to remediate the reading deficiencies of students in grades 4-12 who are reading below grade level. Additionally, \$6 million is provided for training new K-3 teachers in phonics-based reading instruction.

.....◆.....  
*Consequently,  
the Budget  
includes  
funding to  
provide  
Opportunity  
Scholarships  
for up to  
15,000  
students...*

## SCHOOL OPPORTUNITY

**Opportunity Scholarships.** A quality education provides the foundation for students to become productive citizens. By virtue of where they live, some students do not have equal access to a quality education. Consequently, the Budget includes funding to provide Opportunity Scholarships for up to 15,000 students who attend low performing schools, i.e., those schools with test scores in the bottom five percent of all public schools in the State.

These scholarships may be used by parents with a student enrolled in such a low-performing school to enroll the student in another public school within their district, a public school in another district, or a private school.

**Pre-Kindergarten for Low-Income Families.** The Budget proposes \$25 million in half-year funding to continue a multi-year expansion of preschool, with the goal of serving all four-year-olds whose family income is below the federal poverty level by the year 2000. The Budget also proposes \$1 million to develop pre-kindergarten learning development guidelines, \$5 million for an educational outreach program to provide pre-kindergarten preparation in family day care homes and license-exempt care, and incentives to direct local federal funds to pre-kindergarten programs.

**Single-Gender Academies.** The 1996-97 Budget provided \$5 million to fund the start-up of the Single-Gender Academies. Each of the six local education agencies currently participating in the program must provide one academy for girls and one for boys. Participation in the academies is at the discretion and request of parents. The Budget provides an additional \$3 million to expand the program for a total of 12 new academies.

**School Site Grants.** To provide greater control of funding decisions at the school site, the Budget provides \$180 million in one-time block grants to be distributed to each of California's more than 7,800 school sites. Each school would be able to spend its grant according to its own priorities—such as textbooks, major maintenance, school safety, or educational technology. The funds will be allocated at approximately \$30 per student, with every school regardless of size receiving a grant of at least \$10,000.

## SCHOOL FACILITIES

**School Construction Reform.** Providing the facilities in which to teach California's 5.7 million public school students is among the State's highest priorities. Over the years, the State's system of financing school construction has been pieced together and is needlessly cumbersome and costly.

The Administration proposes to replace the current system with a comprehensive, sensible plan that streamlines the school construction process. The savings from reducing the bureaucratic process can then be reinvested in additional classrooms. An \$8 billion state General Obligation bond program, to be extended over the next four election cycles, will assist districts in financing school facilities construction in California.

Support for such a bond, however, is premised on the enactment of key structural reforms which will be introduced as a part of the Governor's 1998 legislative agenda. The reforms include the following significant components:

**Adequate Financing.** A restructuring of school facilities financing is proposed that recognizes the need for a partnership among schools, developers, and the State. Local matching funds will be required as a condition of state funding. However, a reduced local vote threshold for local General Obligation bonds and reasonable limits on developer fees will provide options for local matching resources.

**Program Structure.** The new program will result in a more predictable and equitable statewide allocation of facilities assistance:

☛ A simple per-pupil matching grant formula for growth and renovation that provides a level playing field for all districts through an allocation based on need in terms of actual pupil growth.

.....◆.....  
*The  
Administration  
proposes to  
replace the  
current system  
with a  
comprehensive,  
sensible plan  
that streamlines  
the school  
construction  
process.*  
.....◆.....



- ☛ The first bond under the new program will provide a transition from the existing program by giving priority to districts with projects already approved for funding.
- ☛ Thereafter, districts will be eligible for a per-pupil grant, adjusted annually for inflation, which will recognize cost variances between grade levels and accommodate K-3 growth for districts implementing class size reduction.
- ☛ A district that is construction-ready will be eligible for a state grant based on the number of unhoused and projected new pupils in the district.
- ☛ A district that receives a new construction grant may also be eligible for 50 percent site assistance.
- ☛ Grant applications will be prioritized so that districts with the greatest percent of unhoused pupils will receive funding first.
- ☛ Renovation grants will be provided on a per-pupil basis, as matched by the district.

**Hardships.** Funding will also be available for districts with critical financial hardships, and for continuation of the state relocatable classroom program. Districts with a serious financial hardship may receive additional state assistance in the form of advanced grants for planning, emergency grants for critical situations that require the abandonment, reconstruction or relocation of an existing facility, or a limited reduction of local match requirements.

**Major Maintenance Reform.** Many existing California schools are in need of significant repair. To help address this situation, the Budget and related legislation will require districts to adequately maintain facilities as a condition of participation in the state program. While this returns responsibility to the local level, the Budget also provides \$135 million to assist districts in meeting their obligations for improving the state of maintenance in California's schools. This new funding will complement other ongoing state maintenance funds and, when coupled with the local match, will provide more than \$330 million to repair and maintain California schools.

*The Budget also provides \$135 million to assist districts in meeting their obligations for improving the state of maintenance in California's schools.*

## SCHOOL SAFETY

**School/Community Policing Initiative.** The Budget proposes \$10 million for a School/Community Policing Initiative to ensure safe, secure, and peaceful school campuses as guaranteed by the California Constitution. The School/Community Policing Initiative will provide funds to local school districts and county offices of education which adopt a community policing approach.

**High-Risk Youth.** Chapter 340, Statutes of 1997 established the High-Risk Youth Education and Public Safety Program to provide specialized prevention and early intervention strategies for youth who are seriously at risk of becoming chronic, repeat criminal offenders. The Budget includes \$20 million targeted specifically to high-risk first-time offenders who are 15 years of age or younger. These young first-time offenders often have not committed crimes which are considered serious enough to justify an intervention, and these youth frequently become lost in an overburdened probationary system. The High-Risk First-Time Offenders Program provides a structured, intensive program requiring at least eight hours of supervision each day to offer these troubled youth the attention they require to alter their behaviors and divert them from future criminal pathways.

**Zero Tolerance.** The Budget provides a \$6.2 million augmentation to enforce "zero tolerance" by requiring expulsion for the possession of illegal drugs at a school campus or school-sponsored function. Under existing law, only pupils who are expelled for possession of a weapon, sexual assault

## K-12 EDUCATION

or selling a controlled substance must be referred to an alternative education program that is not on the site of a regular campus.

These enhancements to K-12 education programs reflect the Administration's commitment to ensuring the primary and secondary school children of California receive high-quality instruction—grounded on sound basic teaching principles, delivered in suitably designed and sized facilities, and in an environment that is safe and productive.

# HIGHER EDUCATION

## RENEWING THE PROMISE

**T**he Administration has been deeply committed to keeping the promise of California's Master Plan for higher education. The Master Plan pledged that all Californians would be able to participate in high-quality, affordable higher education, consistent with their qualifications. A major accomplishment of this Administration is the historic four-year Compact with the State's university systems, which enabled the systems to recover from the economic downturn of the early 1990s and renew the promise of the Master Plan for the next generation of Californians.

### THE COMPACT

In 1995-96, the Governor initiated the four-year compact with higher education; 1998-99 marks the final year of this agreement. The Compact was designed to provide the University of California (UC) and California State University (CSU) with fiscal stability and predictability so that they could continue to accommodate increased enrollments and provide a high-quality education. The four-year plan has provided annual increases of approximately four percent in General Fund support, \$150 million per system in annual capital outlay funding, and additional funding for debt service and annuitant benefits. The Compact recognized that student fee increases would also be necessary to produce the resources needed to achieve the compact's goals of maintaining access and quality; however, since the Compact's inception, the economic conditions of the State have allowed the Governor and the Legislature to "buy out" student fee increases of approximately ten percent each year. As a result, mandatory systemwide student fees have not increased since the beginning of the compact.

UC and CSU systems have honored the commitments made under the Compact to serve all students eligible per the Master Plan, make annual productivity improvements, provide students with the classes they need to graduate in a timely manner, improve the transferability of courses between the segments, and restore faculty salaries to competitive levels. In addition, each year the State has provided funds above the amounts proposed initially in the Compact.

### ACHIEVEMENTS UNDER THE COMPACT

**Enrollments.** Both UC and CSU have achieved significant gains in enrollment, exceeding the one percent annual enrollment increase outlined in the Compact. UC's enrollment has increased to 157,000 full-time equivalent (FTE) students in the current year, which is 4,000 FTE more than is

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budgeted, and CSU's enrollment has increased to 266,400 FTE students in the current year, which is 8,400 FTE more than is budgeted. UC and CSU have continued to admit all eligible enrollments with funding provided by the Compact, although the Compact agreement did not anticipate this degree of enrollment growth. For 1998-99, the Budget provides \$39.6 million above the \$12.2 million in the Compact to CSU to increase budgeted student enrollments by 10,320 and \$6 million above the \$14.6 million in the Compact to UC to increase enrollments by 2,800, including 800 undergraduate enrollments in computer science and engineering.

**Increased Transferability of Courses.** UC and CSU continue to work together and the community colleges to improve the transferability of courses among the three segments. Both UC and CSU have established a common set of general education courses required for students seeking to transfer from the community colleges, and all UC and CSU campuses continue to work with community colleges to establish articulation agreements which identify specific coursework that is accepted for transfer. These agreements have allowed students and counselors to better plan for transfer to a UC or CSU campus. Additionally, both UC and CSU have implemented an electronic outreach and admissions systems, known as CSUMentor and UCPathways, to provide information to potential transfer students.

**Increases in Productivity.** In each of the first three years of the Compact, both UC and CSU have met the Compact's goal of achieving at least \$10 million annually in new savings through productivity improvements. The segments have each placed a high priority on achieving productivity enhancements through the use of technology, which has also improved services to students. For example, the use of technology has reduced the administrative processing time for transcript evaluation to assist with university admissions, class selection to enhance the enrollment process, and the review of course completion necessary for graduation. Additionally, the electronic distribution of financial aid has resulted in students receiving funds sooner.

**Graduation Times and Rates.** Student outcomes have improved at both UC and CSU. At UC, where most undergraduates attend full-time and 18 percent work 20 hours or more per week during the school year, students graduate in an average of 4.2 years. The proportion of students who graduate within five years is 70 percent up from 67 percent seven years ago. UC continues to provide students with the sequence of courses they need to graduate, and all eight general UC campuses have instituted "finish-in-four" programs.

At CSU, where one-third of the students work 30 hours or more a week and nearly three-fourths of the students work at least part-time while attending classes, the enrolled time-to-degree for first-time freshman is 4.9 years. The graduation rate for 1991 incoming freshmen is estimated to be 52 percent, which is an increase, over the 1978 graduation rate of 45.6 percent.

**Faculty Salaries.** Recognizing that a high-caliber faculty is critical to high-quality educational instruction, UC and CSU continue to compete for the best faculty. UC expects to reach its goal of providing competitive faculty salaries in 1998-99, and CSU continues to make progress towards this goal. At CSU, the current faculty contract includes a pay-for-performance provision in addition to general salary increases and UC remains committed to maintaining its merit-based faculty salary system.

**Capital Outlay.** During the first three years of the Compact, UC and CSU received a total of \$916.2 million for capital outlay projects. In combination with remaining balances from General Obligation bonds, UC and CSU were able to address many high-priority seismic, fire and life safety, infrastructure, and education technology projects. For 1998-99, the Budget provides each segment with \$150 million in General Obligation bonds from the proposed 1998 bond measure. In addition, the Budget provides CSU with \$11.3 million in existing bond moneys to fund the capital

conversion of Camarillo State Hospital and Developmental Center to the Ventura Off-Campus Center of CSU, Northridge.

**Streamlining Capital Outlay.** Over the past decade, UC and CSU have successfully managed approximately \$3 billion in state-funded capital outlay projects. In keeping with the goals of the four-year Compact with higher education, the Administration continues to work with the segments to identify ways in which the state capital outlay process can be streamlined to further improve the ability of UC and CSU to deliver their capital improvement programs. The major objectives are to achieve administrative and project savings and to complete projects faster. In working towards this goal, the Budget continues the Administration's efforts at streamlining the capital outlay project process at CSU, and has added projects at UC campuses to be completed through the streamlined process. The Budget proposes a single authorization for all phases (preliminary plans, working drawings, and construction) of 10 projects within UC's capital budget and 21 projects within the CSU's capital budget. This proposal should reduce the time it takes to complete these projects compared to the traditional multiple-stage authorization process.

## DEVELOPMENT OF A NEW COMPACT: BUILDING FOR THE FUTURE

In 1960, the State adopted the Master Plan for higher education which sought to provide all qualified students with the opportunity to enroll in a high-quality, affordable, higher education institution. In the ensuing decades, the State has reaffirmed its commitment to the principles of the Master Plan and has provided the resources to implement its vision. The Master Plan was a bold initiative that helped California lead the nation with a strong system of higher education. Today, this system continues to be critical to the State's ability to compete in the global markets of the 21<sup>st</sup> Century.

The Administration remains committed to maintaining the promise of an affordable, accessible, and high-quality college education for all qualified Californians. To meet this end, the Administration is currently engaged in the development of a new compact with UC and CSU.

Building upon the success of the current Compact, the new Compact would provide UC and CSU with a stable funding base and predictable General Fund increases sufficient for the segments to meet the Master Plan enrollment targets and the projected "Tidal Wave II" enrollment growth. State funding would also be provided for contractual obligations such as debt service and annuitant benefits. Additionally, the State would provide an agreed-upon level of capital outlay support in order to meet the critical capital needs facing the segments. Capital outlay support would be contingent upon the passage of a statewide, voter-approved, bond measure. The new compact would also recognize that there will be instances in which UC or CSU will need to carry out special programs which would require funds over and above normal workload funding. In exchange, UC and CSU would accommodate Master Plan enrollments, with an emphasis on UC increasing enrollments in engineering and computer and information sciences, and CSU increasing enrollments in teacher preparation programs. Additionally, UC and CSU would be required to achieve agreed-upon outcomes based on the following principles:

**Productivity Improvements.** Both segments would continue to make productivity improvements through increased use of technology and streamlining of administrative practices.

**Commitment to Undergraduate Education.** Both segments would renew their commitment to undergraduate education by providing the classes needed for students to graduate in four years or less, increasing faculty teaching loads, ensuring student access to faculty, and eliminating low-priority academic programs in order to allocate resources to higher priority programs.

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**Faculty Salaries.** Both segments would continue providing competitive faculty salaries with an increased emphasis on merit-based pay systems.

**Transferability of Courses.** Existing efforts to reduce barriers to students transferring among the segments need to continue. UC and CSU would continue working with the California Community Colleges towards ensuring the ease of the transfer function.

**Intersegmental Cooperation.** UC and CSU, in conjunction with K-12, would increase regional collaboration and improve student outreach in order to maximize access for qualified students.

**Increased Public-Private Cooperation.** UC and CSU would increase the use of public-private partnerships in order to further the economic development of the State, through programs like UC's Industry-University Cooperative Research Program.

**Efficient Use of Existing Campuses and Facilities.** The segments would place an emphasis on the maintenance and renovation of existing campuses, paying special attention to the need for increased building maintenance in order to decrease current deferred maintenance backlogs. Additionally, the segments would make strides to increase the use of classrooms and other facilities in the evenings, weekends, and on a year-round basis.

**Teacher Preparation and Development.** In addition to training more teachers, UC and CSU would ensure that their teacher education programs adapt quickly to meet the new curricula and academic standards for K-12 schools.

The current compact has been remarkably successful and has been able to provide UC and CSU with financial stability and predictability after a period of economic uncertainty. A new Compact will build upon these past successes, and will allow all qualified Californians to be provided with access to a high-quality college education.

## INITIATIVES

For 1998-99, the Administration supports the efforts of UC and CSU to integrate technology into educational programs, foster economic development, and improve teacher preparation and development.

**Technology.** The utilization of technology on-campus and in the classroom continues to be a high priority, and the Budget contains funds to foster the use of educational technology within higher education. With \$6.1million provided in the 1998-99 Budget, UC, CSU, and the California Community Colleges will begin developing courses for the California Virtual University. Additionally, UC's budget plan includes \$4 million to expand the use of instructional technology by its campuses and \$3 million to begin development of the California Digital Library, which will utilize technology to provide all Californians with access to the University's libraries. The Budget also provides \$1 million for a new Technology Access Matching Grant Program, which will provide 2,000 financially needy students with grants of \$500 to purchase computer hardware and/or software; these grants would be matched by either the academic institution or the student.

In 1998, CSU will implement the California Education Technology Initiative, a public-private partnership that is expected to secure approximately \$300 million in external funding to meet the technology-related needs of the CSU. CSU's plan will address its immediate infrastructure and hardware needs and create a replenishing base for constant upgrade and maintenance.

**Economic Improvement.** The economic restructuring experienced by California has made it clear that the relationship between the State's academic institutions and private industry needs to be strengthened. Building upon the global success of California's high-technology industries, the Budget proposes to increase UC's Industry-University Cooperative Research Program by \$7 million. This program fosters UC's collaboration with business and industry to transfer academic research findings to the marketplace. In past years, the Program has focused its efforts on the biotechnology industry. In 1997-98 and 1998-99, the program intends to focus on such industries as digital media, semiconductor manufacturing, wireless communications, and information technology. In recognition of the link between UC and the State's economic growth, UC will develop and implement plans to expand undergraduate and graduate programs in engineering and computer and information sciences. The Budget includes \$6 million for UC to increase enrollments in these areas by approximately 800 FTE students; UC proposes to increase enrollments in the engineering and computer and information sciences by 40 percent over the next eight years.

**Teacher Preparation and Development.** The Administration remains committed to the successful preparation, recruitment and retention of qualified teachers and is proposing a variety of new programs towards this end. The Budget proposes to increase the number of new participants in the Assumption Program of Loans for Education (APLE). The APLE forgives student loans as a financial incentive for teachers to teach full-time in critical shortage areas in the State. Additionally, the Budget includes \$1.5 million for a UC Teaching Internship for Mathematics and Science; this program will recruit and prepare upper-division college students majoring in math, science, and engineering to teach in K-12 schools.

In addition, \$5 million is being provided to CSU for a Teacher Preparation and Development Initiative. This Initiative includes \$4.8 million to add 600 FTE students to CSU's teacher preparation programs and provide in-service training in mathematics to 4,500 employed teachers annually. The remaining \$200,000 will be allocated to the Center on Teaching Careers to develop a recruitment program for mathematics teachers.

**Arts Education.** The Budget includes \$1.5 million for the UC Arts Bridge Program, which will provide scholarships to university students pursuing degrees in the arts to work as "artists in residence" in K-12 public schools.

**Tenth UC Campus.** The Budget provides an additional \$5 million for the development of the UC Merced campus, bringing total funding to \$10 million. This amount will fully fund campus development activities, exclusive of capital outlay, until students are admitted. The new campus will provide valley residents with a much-needed education resource that will stimulate greater scholastic achievement among the area's high school students, and will reap long-term benefits in cultural and economic development.

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## CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCC) are the largest postsecondary education system in the nation. The system serves over 1.4 million students currently with an annual proposed total budget of approximately \$4.8 billion. As an integral part of California's higher education system, CCC plays an essential role in workforce preparation by providing the first two years of instruction toward a four-year degree, employment certificate programs, basic skills instruction, continuing education for adults, and specialized training and services for business.

The Budget proposes a total increase of \$296.5 million (including \$40 million in one-time funds) to augment high-priority infrastructure needs including instructional equipment replacement, major maintenance, and structural accessibility. The Budget provides a 2.22 percent COLA for all



programs, and includes funding for a 3 percent enrollment increase, nearly twice the statutory level of 1.89 percent. Additionally, the Budget proposes important ongoing increases for technology and distance education, increased training for foster parents, improvements in course articulation between the four-year segments, and a new initiative to link increased funding to performance in meeting state goals. This initiative will be the first education program in California to specifically reward schools on the basis of performance. These proposals are discussed in greater detail in the traditional highlights for CCC within the higher education section.

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**Commitment to Student Learning.** The State's economic expansion has provided the Administration with an opportunity to focus community college expenditures on changes designed to improve student outcomes. This began with the establishment of an \$11 million annual fund for competitive student success grants included in the 1997 Budget Act, and continues with a new Partnership for Excellence proposal which directly relates \$50 million of new funding to specific performance criteria. Additionally, the Administration has significantly increased the funds devoted to local economic development from \$5.3 million in 1990-91 to \$29.1 million, including a \$15 million program for workforce training to meet identified regional growth industry priorities. Further, the last year's Budget proposed to focus a \$65 million annual investment to assist public assistance recipients to move into the workforce.

**Commitment to Infrastructure.** While the Administration has maintained a strong commitment to enrollment access and student outcomes, funding increases have also focused the Governor's commitment to maintaining instructional infrastructure for the next century. For instance, the annual base for special repairs and maintenance has increased from \$8.7 million to \$39 million since 1990-91. The annual investment in technology infrastructure was established in the 1996-97 Budget, and has increased to \$28 million. The annual investment for instructional equipment and library materials, similarly has increased from no ongoing funding to \$44 million.

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**Commitment to Affordability.** The increased funding and programmatic improvements have been accomplished without compromising the State's tradition of affordability. The fees for California's community colleges continue to be the lowest in the nation by far, and with the signing of Chapter 853, Statutes of 1997, will be less than 50 percent of the next lowest state. Additionally, the level of General Fund financial aid has increased by almost \$91 million since 1990-91 to assure access for anyone with the motivation to improve their education or skills.

**Capital Outlay.** During the past two years, CCC received \$293.4 million for capital outlay improvements. The Budget provides \$158.4 million for continuing projects. A proposed General Obligation bond will provide \$150 million, with the remainder funded from previous bond funds.



# HEALTH & WELFARE

## ADVANCING THE REFORMS

**T**he Budget continues the Governor's commitment to the prevention agenda. The Budget also includes funding for the Healthy Families Program, California's new health insurance program for the children of California's working poor; an expansion of California's seniors' programs; and, continued expansion of the AIDS Drug Assistance Program. The Budget also incorporates the comprehensive welfare reform plan established by Chapter 270, Statutes of 1997.

### PREVENTION

In its initial budget, the Administration recognized that many social problems driving the State's fiscal problems—crime, mental illness, child abuse, illiteracy, premature births—are best addressed by a policy of early intervention and prevention. The initial budget set out to establish new prevention priorities and to make essential investments for California's long-term benefit. Major policy changes being proposed or continuing for 1998-99 are discussed below.

#### Early Childhood Development Initiative

According to recent studies on child development, "the human brain achieves approximately... 90 percent of [its] total development by age three." Infants and toddlers need a rich environment and appropriate stimulation for optimal development.

Consistent with these findings, the Budget proposes an Early Childhood Development Initiative and provides an augmentation of \$54 million to enrich the development of California's children during these critical years from birth to age three. The initiative will increase opportunities for success of California's children through a multifaceted approach providing community outreach, family support services, and added health service interventions. Specifically, the initiative will (a) improve the quality of child care through expanded provider training, (b) increase access to hearing screens and early interventions for all infants born in California Children Services (CCS)-approved hospitals, (c) augment the State Preschool Program, (d) expand infant and toddler child care services, and (e) increase support to the community by providing family information services.

**Early Childhood Development Training for Child Care Providers.** The Budget includes \$3.7 million General Fund for the Department of Social Services to develop and implement a voluntary

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early childhood training program for caregivers of infants and toddlers. The intent of this training is to assist caregivers in creating a stimulating environment during the first three critical years of a child's brain development and the impact this has on a child's later progress and success.

**Newborn Hearing Screening.** In order to expand access to preventive health care and expedite early interventions, all CCS-approved hospitals will be required to offer hearing screening services to all newborns. The Budget includes \$6.1 million (\$3.5 million General Fund) to provide these screens to eligible Medi-Cal and CCS children. Services will be provided to approximately 116,000 newborns in 1998-99, half of which will be Medi-Cal or CCS funded, and 392,000 upon full implementation in 1999-2000.



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**Pre-Kindergarten for Low-Income Families.** The Budget proposes \$31 million to expand and improve the quality of preschool and child care to better prepare children for future success in school. This includes \$25 million (Proposition 98 General Fund) half-year funding to expand the State Preschool Program. These funds represent the initial increment of a two-year expansion to serve all four-year-olds whose family income is below the federal poverty level. The Budget also includes \$6 million to prepare and distribute guidelines on the cognitive development of pre-kindergarten children. These guidelines would be disseminated, primarily through training, to both licensed and license-exempt family child care home providers.

**Infant and Toddler Development.** The Budget proposes an increase of \$10 million (Proposition 98 General Fund) in half-year funding to expand child care services to an additional 2,200 infants and toddlers. The Administration also proposes to earmark \$2 million in Healthy Start funds for an Infant and Toddler Development Parent Outreach and Education program that will enable Healthy Start sites to serve families with very young children prior to school enrollment.



**Family Information Services.** Additionally, the Budget proposes \$3.1 million (\$2.9 million General Fund) to provide family information services.

## Other Prevention Initiatives

The Budget also provides funding for the following prevention initiatives:

**Emerging Infectious Disease and Food Safety Control and Prevention.** To protect the public health and foster continued prosperity for California's vital agricultural and food industries, the Budget provides \$3.1 million General Fund to investigate and survey infectious diseases and enhance food safety. These additional resources will help reduce the incidence of new, reemerging, or drug-resistant infections, currently increasing in California, thereby controlling outbreaks and preventing avoidable hospital costs and business losses.

**Breast Cancer Early Detection Program.** In response to a significant increase in demand for screening services, the Budget expands the Breast Cancer Early Detection Program by \$11.2 million over two years. These resources will provide access to screening services for an additional 47,000 women in 1997-98 and 130,000 women in 1998-99. The Budget proposes a total of \$31.4 million for 286,000 screens, including \$1.3 million to improve the quality and accuracy of screens and expand referrals for the purpose of improving health outcomes for women. These services will be supported through a combination of Breast Cancer Control Account and Cigarette and Tobacco Products Surtax Fund resources.

**Cancer Research Program.** The Budget extends the Administration's commitment to preventive services by substantially increasing allocations for ovarian and prostate cancer research grants from \$2 million in 1997-98 to \$25 million. After heart disease, cancer is the second leading cause



of death in California. Each year, approximately 120,000 new cases of cancer are diagnosed in the State. Prostate cancer is the leading condition diagnosed in California, with 23,000 projected new cases and approximately 3,300 deaths annually in California. Ovarian cancer is one of the leading causes of cancer-related death in women in California, with 2,700 projected new cases diagnosed and approximately 1,475 deaths annually. These additional funds will be spent for researching the causes, prevention, early detection, diagnosis, and treatment of these gender-specific cancers.

**Childhood Lead Poisoning Prevention Program.** To continue to protect California's children from the adverse effects of lead poisoning, the Budget includes an additional \$14.3 million, over two years, to expand the Childhood Lead Poisoning Prevention Program. This program provides preventive screening and case management services for approximately 4,800 children with excessive blood lead levels. The additional funding will enhance access to services and improve monitoring for the purpose of improving health outcomes for lead-exposed children through early interventions.

**Teen Pregnancy Prevention/Abstinence Education.** The Budget continues to make teen pregnancy prevention a priority, including \$7.2 million in federal funds to initiate an abstinence education and pregnancy prevention program. These funds, which would be matched at a 3:4 (local:federal) rate by voluntary local contributions, will supplement base resources available through the Partnership for Responsible Parenting Initiative. A competitive grants process for locally developed projects will be conducted for the program.

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### Continuing Prevention Initiatives

**Partnership For Responsible Parenting.** The Budget reflects the continuation of the Administration's commitment to preventing out-of-wedlock and teenage pregnancy, and provides a total of \$54.3 million for these programs:

☛ **Media Campaign**—The multi-year contract for the media campaign began in March 1997 and remains in effect through June 30, 1999. The program is supported by \$8.5 million in both 1997-98 and 1998-99. The media campaign is designed to educate Californians about the problems surrounding teenage and out-of-wedlock pregnancy and to engage public efforts in promoting responsible parenting.

☛ **Community Challenge Grant**—Multi-year grant awards totaling \$56 million (\$20 million for 1998-99) remain in effect for 112 grant recipients through June 30, 1999. The Community Challenge Grant programs implement locally developed strategies to prevent teenage and out-of-wedlock pregnancies and promote responsible parenting.

☛ **Mentoring At-Risk Youth**—Mentoring programs have been established in several departments to provide services to at-risk youths. The programs are designed to assist at-risk youths in becoming productive members of society while reducing juvenile crime, teen pregnancy, gang association, and the school dropout rate. The Budget includes an additional \$6 million to expand mentoring programs to \$14.5 million. The proposed expansions and continuations include:

▼ \$1 million General Fund augmentation within the Department of Community Services and Development. These funds will be granted to local community services organizations and existing local mentoring programs to recruit, train, and place mentors with at-risk youths. This augmentation will provide a total program of \$2 million (\$1 million General Fund and \$1 million federal funds) which will provide an estimated 3,000 at-risk youths with mentors.

▼ \$5 million Proposition 98 funding added to the base of \$5 million for the Academic Volunteer and Mentor Service Program, managed by the Office of Child Development and Education

(OCDE). This program seeks to match at-risk children and youths with adult role models. One-to-one mentoring can provide positive guidance and result in improved school behavior and academic progress. OCDE's base budget includes \$200,000 General Fund to support the program.

- ▼ \$1.2 million federal funds within the Department of Alcohol and Drug Programs to support local mentoring programs and give technical assistance to service providers.
- ▼ General Fund support for the "Young Men as Fathers Parenting/Mentoring Program," which provides mentoring to young fathers through county probation departments and for the Volunteers in the Parole Program, which matches parolees with mentors, will continue at \$1 million and \$269,000, respectively.

☞ **Prosecution of Statutory Rape**—The Budget continues \$8.4 million General Fund to support vertical prosecution of statutory rape. Vertical prosecution entails the assignment of a single deputy district attorney to handle all pretrial and trial phases of a criminal case. The program is now underway in 53 counties.

☞ **Male Responsibility**—The Budget continues \$2.9 million for grants in the Male Responsibility Program. These intervention project grants provide information, education, and counseling services to local communities concerning the positive role adolescent and young men can have in preventing teen pregnancy. In addition, the program promotes male responsibility concerning pregnancy and fatherhood.

**Preventing Unintended Pregnancy.** The Budget reflects full implementation of the expanded service provider network begun in 1996-97. In order to serve those low-income men and women with family incomes up to 200 percent of the federal poverty level who are in need of family planning services, the Budget provides \$103.9 million (\$95.5 million General Fund) within the Medical program.

**Tuberculosis Control.** In an ongoing effort to protect the public from exposure to tuberculosis (TB), the Budget continues funding for the TB Control Program expansion authorized in 1997-98. The program includes \$2.9 million to house patients who are unwilling to complete prescribed drug treatments or who are homeless and unable to complete their treatment.

**Family Physician Training Program.** The Budget contains \$5.6 million to provide grants to medical schools and specialized training programs to increase the number of family practice health care providers.

**Domestic Violence Prevention.** The Budget maintains \$13.5 million for the Battered Women Shelter Program, which has dramatically increased access to housing and other shelter-based services for the victims of domestic violence. In addition, the Budget continues \$2.5 million for local community intervention projects.



**Child Health Exams and Immunizations.** The Child Health and Disability Prevention Program provides health assessments and immunizations to low-income children. The Budget includes \$7.3 million from the Cigarette and Tobacco Products Surtax Fund and the General Fund to continue vaccine coverage in accordance with the age-range schedule recommended by the Federal Centers for Disease Control and the American Academy of Pediatrics. A total of 1.5 million children will receive health exams and immunizations in 1998-99.

**Healthy Start.** The Budget provides \$49 million for the Healthy Start Program, including \$10 million for the Teenage Pregnancy Prevention Grant Program. As part of the Governor's Early Childhood Development Initiative, the Budget proposes to use \$2 million in Healthy Start funds to serve families with very young children through grants to current and previously funded Healthy Start sites. A cornerstone of the Governor's prevention agenda, the Healthy Start Program coordinates and integrates prevention-oriented health and social services for low-income children, youth and their families at or near school sites throughout California. Since the beginning of the program in 1991-92, operational grants have been awarded for programs in 805 schools, and planning grants have been awarded for programs in 1,131 schools. Approximately 133 planning grants and 76 three to five-year operational grants will be awarded in 1998-99.

**Early Childhood Education.** The Budget includes \$38 million to provide full-year funding for infant, toddler, and preschool-age child care services expanded in 1997-98. Of this amount, \$15 million is for the purpose of continuing the expansion of full-day child care services for children enrolled in part-day state preschool programs, and \$23 million is to continue the expansion of child care services for infants and toddlers.

**Early Mental Health Initiative.** The Budget provides \$15 million in Proposition 98 funding for the school-based Early Mental Health Initiative, awards grants to local education agencies (LEAs) to provide school-based services to children in grades K-3 who have behavioral or emotional difficulties which adversely impact their performance in school. Funding is provided for up to three years, after which LEAs are encouraged to continue the programs with local funding. To date, approximately 434 programs have been funded at LEAs. Combined, these programs have served approximately 155,000 children.

**Children's System of Care.** The Children's System of Care program provides a variety of intensive services including mental health treatment, counseling, educational, health care and social services to seriously emotionally disturbed (SED) children and their families through an interdisciplinary team of service professionals. The program is designed to prevent the placement of SED children into high-cost foster care group homes, state hospitals, or juvenile correctional facilities. The Budget continues \$20.4 million General Fund to maintain 43 counties in this program.

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## HEALTHY FAMILIES

Chapter 623, Statutes of 1997 authorizes the new Healthy Families Program, makes available affordable health insurance to the estimated 580,000 uninsured children of California's working poor. This program will be administered by the Managed Risk Medical Insurance Board (MRMIB). Subject to pending federal approval of the state plan, the first children will be enrolled and receive Healthy Families benefits in July 1998. Like other MRMIB programs, Healthy Families will contract for coverage and for most program administrative functions. Nominal premiums and co-payments will be paid by participating families.

This program expands access to health care coverage for uninsured children through three major enhancements: the Healthy Families insurance program for uninsured children who are ineligible for Medi-Cal and who have family incomes below 200 percent of poverty; changes to the

Medi-Cal system to improve access and simplify and expand eligibility; and, a major outreach effort to the families of low-income uninsured children to inform them of the value of health care coverage and encourage the enrollment of their children in Medi-Cal or the Healthy Families insurance program.

☛ **Healthy Families Insurance Program**—Healthy Families insurance coverage will be available to children ages 1 through 18 who are uninsured, have family incomes below 200 percent of the federal poverty level, and are ineligible for Medi-Cal without a share of cost. The MRMIB will provide coverage through a health insurance purchasing pool and an insurance purchasing credit for children whose families have access to, but do not have, employer-sponsored coverage. Through the purchasing pool and insurance purchasing credits, the State will provide health, dental, and vision services to low-income children. The program will be implemented by July 1, 1998.

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...200,000  
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The Healthy Families program will also fund necessary specialized services beyond those offered through the comprehensive insurance package. These services will be provided by the California Children's Services (CCS) program and county mental health departments.

The MRMIB estimates approximately 200,000 children will be enrolled in the first year of the Healthy Families insurance program. Enrollment is expected to increase to about 440,000 by the end of 1999-2000, and reach full enrollment in 2000-2001 with over 500,000 children insured who would otherwise be at risk of inadequate health care coverage.

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☛ **Medi-Cal Enhancements**—To promote coordination between the Healthy Families insurance program and Medi-Cal, to expand the number of children eligible for Medi-Cal and to promote greater coverage of children who are already eligible for, though not enrolled in, Medi-Cal, the Department of Health Services (DHS) will:

- ▼ Implement a resource limit disregard for children and accelerate coverage for all children under 100 percent of poverty by March 1998.
- ▼ Implement new rules, prior to July 1, 1998, to provide an additional month of continued eligibility allowing children whose families become ineligible for Medi-Cal due to a rise in income an opportunity to enroll in the Healthy Families insurance program.
- ▼ Develop a simplified, mail-in Medi-Cal application for the families of eligible children.

☛ **Outreach**—The Budget includes \$21 million to enter into an outreach contract for a media campaign and for local activities to identify and assist potential beneficiaries with enrollment in Medi-Cal and the new Healthy Families insurance program. California will also undertake a provider education effort in support of its outreach campaign and a comprehensive training to entities having contact with potential beneficiaries.

## HIV/AIDS PROGRAM EXPANSION

The Administration continues to provide assistance to individuals living with HIV/AIDS through numerous programs in California. Services provided include drug treatment through the AIDS Drug Assistance Program (ADAP), education and prevention, epidemiological studies, no-cost HIV testing, early intervention, housing assistance, short-term insurance coverage, and technical assistance. Funding for the Department of Health Services HIV/AIDS programs has grown from



\$82.7 million (\$5.9 million General Fund) in 1991-92 to \$221.2 million (\$113.6 million General Fund) in 1998-99. Most of this growth has occurred in ADAP, which is projected to serve over 25,000 clients in 1998-99. The number of drugs on the ADAP formulary has increased from 2 in 1990-91 to 53 in 1997-98.

## EXPANSION OF ADULT PROTECTIVE SERVICES

The Budget provides an additional \$10 million General Fund for Adult Protective Services programs in 1998-99. The Adult Protective Services Program provides assistance to elderly and dependent adults who are unable to care for themselves. This expansion will allow counties to provide greater protections to those seniors and dependent adults who suffer from or are at-risk of adult abuse, neglect, and exploitation. This augmentation will provide counties with the resources needed to better respond to reports of abuse, provide additional counseling and arrange for long-term care services, such as, legal, medical, out-of-home placement, and money management.

## EXPANSION OF SENIORS PROGRAMS

The number of Californians over age 60 will more than double by the year 2020. To expand the availability of senior services to underserved geographic planning and service areas in the State, the Budget includes \$12.2 million (\$9.1 million General Fund) for expansion of senior programs through the California Department of Aging. This funding will expand supportive senior services—Adult Day Health Care, Multipurpose Senior Services Program, and Community-Based Services Programs: Alzheimer's Day Care, Linkages, Foster Grandparent, Senior Companion, Brown Bag Program, and Respite Services. These programs provide prevention-oriented alternatives to costly institutional care and promise a better home and community-based quality of life for seniors.

## CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CalWORKs)

Chapter 270, Statutes of 1997 established the California Work Opportunity and Responsibility to Kids (CalWORKs) program, which became operative on January 1, 1998, and replaces the Aid to Families with Dependent Children program. The new program sets time limits and transforms long-term dependency on public assistance to time-limited aid for those in crisis. It employs a work-first approach that makes employment the number-one goal for every able-bodied recipient. It makes the care of children the primary responsibility of parents by requiring that their dependents be immunized and attend school. It preserves taxpayer dollars by imposing a "one-strike" provision barring aid for serious welfare fraud offenders. The CalWORKs program encourages innovation and flexibility on the part of California's counties by allowing them to design programs that work best for their diverse communities and giving them the funding flexibility to achieve those goals, and it rewards them for their success.

**Principles of CalWORKs.** The CalWORKs program is based on the following fundamental principles:

- ☛ That public assistance is a temporary form of aid in times of crisis;
- ☛ That a "work-first" attitude be fostered through strict work requirements;
- ☛ That personal responsibility and accountability be encouraged and rewarded;

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*CalWORKs...  
 employs a  
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- ☞ That counties be given flexibility to meet the needs of recipients; and
- ☞ That the well-being of children is paramount.

These principles underscore key provisions of CalWORKs:

☞ **Time Limits**—Adults are subject to a five-year lifetime limit on aid. This is consistent with the federal provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which established the Temporary Assistance for Needy Families (TANF) program. Exemptions apply in limited circumstances involving persons who are aged, disabled, or those caring for disabled recipients and minor teen parents involved in approved teen parent programs. In addition, new applicants after 18 months and current recipients after 24 months, must participate in community service to receive assistance if the counties certify that unsubsidized employment is not available.

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☞ **"Work First"**—Able-bodied adult recipients are required to work in unsubsidized employment or participate in other specific work-related activities. County boards of supervisors have the flexibility to adopt plans requiring work activities totaling more, but not less than, 20 hours per week beginning January 1, 1998, for adult recipients in a single-parent household, rising to 26 hours on July 1, 1998, and reaching 32 hours per week on July 1, 1999. In two-parent families, one or both adults must participate in welfare-to-work activities for a combined total of 35 hours per week.

☞ **Personal Responsibility**—As a condition of receiving public assistance, children must be immunized within 30 days after the family has been deemed eligible for Medi-Cal. Current recipients have 45 days from the time of their re-determination for eligibility to show proof of immunization. Recipients who allow their children to skip school will be sanctioned with a financial penalty. Children ages 16 and over who are not attending school must participate in work activities or the child's portion of the grant will be reduced.

☞ **Fraud**—The CalWORKs program preserves the integrity of public assistance. Flagrant welfare violators will not be tolerated, and there is a "one-strike" provision for those recipients committing the most egregious violations. Drug felons are ineligible for aid, although their families can receive vendor payments for rent and utilities. Persons fleeing to avoid prosecution for a felony, or in violation of probation or parole, are ineligible for both CalWORKs and county General Assistance.

☞ **Flexibility for Counties**—Under CalWORKs, counties have unprecedented flexibility to design and carry out the program in the manner that best assures success. To assist in carrying out those local plans, funding flexibility has been given to the counties in the form of a block grant that may be used to divert recipients from public assistance or to provide employment services, child care and other supportive services to help transition aid recipients to unsubsidized employment. Counties will be rewarded with one hundred percent of the savings which result from the program's success, and the Budget includes that fiscal incentive funding based on estimates of CalWORKs success.

☞ **Safety Net**—While CalWORKs provides that all must work, it also protects the most vulnerable of our society. After the five-year lifetime aid limit, the family's grant is to be reduced by only the adult portion, thereby providing a safety net for children.

**The State's Role.** Under CalWORKs, the State sets basic program standards, including grant levels, eligibility criteria, and time limits so that recipients are treated fairly across county lines. The State provides funds to individual counties in a block grant that they may use to divert recipients



from welfare, or to provide employment services and supportive services to help transition recipients from aid.

**The Counties' Role.** CalWORKs provides each of California's counties with an unprecedented opportunity to design their own programs and set their own goals for getting recipients to work. In return, the State will reward counties with 100 percent of the savings based on their successful efforts. Seventy-five percent of these savings will go to those counties which meet their goals outright; and the remainder will be shared among performing counties which are unable to reach their desired outcomes because of factors beyond their control. The State and the counties will share any penalties imposed under federal TANF rules, including those resulting from any failure to meet federal work participation rates.

**Welfare-to-Work Federal Grant.** The State will augment its CalWORKs expenditures over the next four years with a U.S. Department of Labor (DOL) federal Welfare-to-Work grant targeted to move hard-to-employ public assistance recipients into jobs. The program includes job creation through wage subsidies, on-the-job training, job placement, and post-employment services with a focus on work first. California will receive \$363 million of federal welfare-to-work grant funds from DOL—\$190 million in the initial year and \$173 million in the second year for employment services. The State is required to match the federal funds at a 2:1 federal:state ratio.

The Employment Development Department (EDD) is responsible for administration of the federal Welfare-to-Work grant and, as required by the federal government, will allocate 85 percent of the federal funds on a formula basis to the Private Industry Councils (PICs) in California to train and place welfare clients in jobs. The PICs have been designated as the primary entities for local administration of the Welfare-to-Work grant in addition to their ongoing responsibility for administration of federal Job Training Partnership Act funds which are used to train dislocated workers and disadvantaged youths and adults. All federal job training funds should instead be allocated in a manner that promotes state and local flexibility to use those grants in the most effective fashion to assist people in gaining employment. In the case of those hard-to-employ public assistance recipients who are targeted for assistance under the DOL grant, the State and the counties need the flexibility to move them from welfare to work within the comprehensive framework of CalWORKs which is designed to meet or exceed the work requirements of the federal Temporary Assistance for Needy Families Program. Without an extensive waiver process or a change in federal law, however, the DOL grant mechanism forecloses the option to designate counties—which bear the responsibility for success under CalWORKs—as the administrative agencies for those funds.

The Budget includes \$162 million federal funds in 1997-98 and \$147 million in 1998-99 for formula allocation to the PICs. The Budget also includes \$54 million for EDD support and special projects beginning in 1998-99. There is an additional \$95 million General Fund in 1998-99 budgeted within the Department of Social Services to meet the 1997-98 required state match for the federal grants. That \$95 million will be allocated to the counties to supplement CalWORKs employment services activities for those CalWORKs recipients who meet the more specific federal criteria for the federal grant.

**Child Care.** Child care is necessary so that parents in the CalWORKs program can meet work participation requirements and successfully transition to the workforce and to self-sufficiency. The Budget proposes to fully fund the estimated need for child care among CalWORKs recipients, provides funding for the working poor, and includes over \$1.8 billion for these purposes. This represents an increase of \$665 million over the revised 1997-98 budget and a \$1.1 billion increase from 1996-97. The proposed 1998-99 funding includes approximately \$859 million General Fund and \$1 billion in federal funds.

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## HEALTH & WELFARE

Of the \$1.8 billion proposed for child care in 1998-99, \$891.2 million specifically is for CalWORKs child care to serve an estimated average monthly enrollment of 216,000 children in programs funded through the Department of Social Services, the California Department of Education and the California Community Colleges. The Budget includes \$702.2 million for estimated CalWORKs child care services as part of the county block grant. The Department of Education's budget includes \$174 million for CalWORKs child care provided through contracting agencies. This includes an augmentation of \$127.5 million, of which \$43 million is additional federal Child Care and Development Block Grant funds and \$84.5 million is new Proposition 98 funds. The Community Colleges' budget continues a funding level of \$15 million for child care services for enrolled CalWORKs recipients.

# LOCAL GOVERNMENT

## STRENGTHENING THE PARTNERSHIP

**S**trong and vibrant local governments are instrumental to a healthy and growing economy. Businesses expect to locate in communities with an adequate physical infrastructure and the resources necessary to maintain programs for the safety, health and recreation needs of the public. To a large extent, the increase of more than one million jobs in California over the past four years is due to the private sector's confidence in California and its cities and counties.

Local governments, like the State, are rebounding from the recession. The growth in assessed value of property, one barometer of local fiscal health, is estimated at five percent statewide in 1998-99; this is the highest growth rate since 1992-93. However, this recovery is not uniform and some local governments continue to operate under fiscal constraints.

In recognition of these varied circumstances, the Governor and Legislature have taken significant steps to restructure and strengthen the State's partnership with local government. Two programs that exemplify this restructuring—the California Work Opportunity and Responsibility to Kids (CalWORKs) program and the Trial Court Funding Act of 1997—were implemented January 1, 1998. Both new programs contain appropriate local flexibility and fiscal incentives that are hallmarks of the State/local partnership.

### CALWORKS

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 allowed states the opportunity to make much needed changes to welfare programs. CalWORKs implements California's version of the federal Temporary Assistance for Needy Families program and embodies the principle that public assistance should be a temporary transition to employment and self sufficiency.

The State's role in CalWORKs is to set basic program standards including grant levels, eligibility criteria and time limits. However, given the vast differences among California communities, the capacity for success in moving people from dependency to work rests with California's 58 counties. CalWORKs affords counties maximum flexibility to design programs suited to the needs of their citizens and communities. Within broad guidelines, counties will determine program components such as the minimum hours of work required, what activities meet work requirements, and what support services are necessary to facilitate the transition of recipients of public assistance into unsubsidized employment.

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In order to implement these local reform efforts successfully, counties must also have sufficient resources allocated in a flexible manner. Under CalWORKs, counties receive a block grant for administration of their program. Funds may be used for a variety of purposes including diversion payments, employment services, child care or supportive services. The block grant will exceed \$2 billion in 1998-99 and allows locally elected officials to establish program priorities.

Another principle of CalWORKs is that success should be rewarded. Therefore, counties will receive 100 percent of the State's savings associated with an individual's success in three areas: 1) up-front diversion from an initial entry onto aid, 2) grant payment savings due to increased earnings, and 3) grant payment savings due to a recipient's successful employment. These funds, estimated at almost \$267 million in 1998-99, will be available for reinvestment in those local programs critical to moving persons into unsubsidized employment.

In keeping with the overall principle that employment is the primary goal of this new program, the State will apply for the federal Welfare-to-Work grant. Over the next two years, California will receive \$363 million of federal funds. While these federal funds mostly will be allocated to local Private Industry Councils, the Administration proposes that the State matching funds be allocated to counties. In 1998-99, counties will receive \$95 million to supplement their employment services activities for those persons with the most serious barriers to employment.

For a complete discussion on CalWORKs, see the Health and Welfare section.

### TRIAL COURT FUNDING

Funding for the State's trial court system has been split between the state (37 percent) and the counties (63 percent). Because of this divided funding responsibility, counties were often unsure of their funding obligation to the courts until after local budget decisions needed to be made; individual courts were unable to plan their resource allocations for the year, and the Judicial Council had little flexibility in allocating resources to those courts with the highest needs.

Chapter 850, Statutes of 1997 implements a major funding restructuring of the State's trial court system. Beginning in 1997-98, funding for the trial courts, with the exception of costs for facilities, local judicial benefits, and revenue collection, is consolidated at the state level. The county contribution for both their general fund and fine and penalty amounts, is capped at the 1994-95 level and becomes part of the Trial Court Trust Fund, which supports all trial court operations. The State assumes responsibility for future growth in trial court funding.

This fundamental restructuring provides a stable and consistent source of funding, as well as a clear funding process, for the trial courts. This change also will increase flexibility and accountability for management of the courts, thereby ensuring the most efficient and effective court operations possible. Most importantly, because funding will not be dependent on the financial health of any individual county, this change will promote equal access to the justice system across California.

Beginning in 1998-99, the new trial court funding measure offers significant financial relief to cities and counties. The county general fund contribution will be reduced by \$288 million, including \$10.7 million to buy out the county contribution in the 20 smallest counties. Cities will retain \$62 million in fine and penalty revenue previously remitted to the state. The Budget proposes to backfill this \$350 million with General Fund.

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The Budget also proposes the following in support of the trial courts:

- ☛ \$50 million for the Judicial Administration Efficiency and Modernization Fund authorized in Chapter 850. This fund will be used to promote improved access, efficiency and effectiveness in trial courts that have been unified to the fullest extent allowed by law.
- ☛ \$50 million to fund workload increases and high priority issues such as court security.
- ☛ \$13.2 million for funding of the 40 new judgeships authorized by Chapter 858, Statutes of 1997.

With these policy changes, total funding for trial courts in 1998-99 will be \$1.75 billion.

## INFRASTRUCTURE BANK

An adequate infrastructure is essential for local governments to be able to attract and retain businesses. This is even more critical as counties, working with the private sector and other local governments, implement welfare-to-work strategies that require long-term employment opportunities.

In order to address local needs for infrastructure, the Budget proposes \$50 million General Fund for initial capitalization of the Infrastructure and Economic Development Bank. In addition, a \$200 million general obligation bond is proposed for ongoing capitalization of the Bank.

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*...infrastructure  
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## OTHER COUNTY PROPOSALS

**County Probation Funding.** The Budget proposes \$167.4 million from federal Temporary Assistance for Needy Families (TANF) funds for the Comprehensive Youth Services Act. Counties may use these funds for a wide range of services including gang intervention, substance abuse prevention and counseling. This represents an increase of \$26.5 million over 1997-98.

The Budget also continues \$33 million in TANF funds for county camps and ranches.

**Citizens' Option for Public Safety.** The Budget continues the \$100 million allocated to cities and counties for front line law enforcement activities. District attorneys will receive \$12.5 million, county sheriffs will receive \$12.5 million for the operation of local jails, and \$75 million will be distributed to cities and counties on a population basis.

**Federal Crime Bill Funding.** Given the public safety risks due to lack of local jail and juvenile detention space, the Budget proposes to allocate 15 percent of the State's Violent Offender Incarceration and Truth in Sentencing grants (\$12 million) to build or expand local adult and juvenile detention facilities.

**Local Juvenile Facilities.** In addition to the allocation of federal crime bill funds, the Administration proposes a \$350 million bond measure to address the capacity needs for additional juvenile detention facilities.

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# INFRASTRUCTURE INITIATIVE

**A**n investment in infrastructure is an investment in California's future. The State's schools, universities, transportation systems, public safety facilities, water systems, parks, and other public facilities are a framework for quality of life and prosperity.

In addition, a sound infrastructure is essential to sustaining California's current economic growth:

- ☛ Businesses prefer locating in states with strong education systems that produce a well-prepared workforce. Those systems are dependent upon physical plants which provide the proper learning environment.
- ☛ A clean environment, plentiful public recreation, and open space offer health and aesthetic appeal enhances employers' ability to recruit the best job candidates as well as enriching the current residents of the State.
- ☛ Adequate investment in criminal justice, public health, flood control, and firefighting promotes living conditions which are secure from man-made and natural calamities and conducive to the free flow of enterprise.
- ☛ A reliable and durable transportation system is essential to the efficient flow of commerce.

The needs for new and revitalized public infrastructure are great. Though the State has made significant commitments in the past to maintaining and enlarging its infrastructure, there is much to be done to ensure that California will remain a preeminent economic force into the 21<sup>st</sup> Century.

The Department of Finance's *1997 Capital Outlay and Infrastructure Report* identified \$80.9 billion State infrastructure needs over the next ten years. Highlights of those needs include:

- ☛ \$22 billion for K-12 schools to modernize existing facilities and accommodate an average enrollment growth of approximately 100,000 students per year, as well as provide for deferred maintenance and ensure classrooms for the Class Size Reduction program.
- ☛ \$10.5 billion to construct higher education facilities that can accommodate a surge in enrollment over the next decade as well as replace or remodel technological or functionally obsolescent facilities.

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is proposing a  
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California can  
meet the  
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☛ \$9.2 billion to build adequate housing capacity for the State's correctional system.

☛ \$28.1 billion to improve the seismic durability and the capacity of the State's highways.

☛ \$7.4 billion to enhance natural resources and environmental quality, including \$2 billion for wastewater treatment, \$1.2 billion for flood control, \$100 million for safe drinking water, \$365 million for fire fighting facilities, and approximately \$2.8 billion for improvement of existing park facilities, acquisition of new park lands and open spaces, and preservation and enhancement of wildlife habitat.

☛ \$2.3 billion for a variety of other state programs and responsibilities, including funding for criminal justice laboratories, public health laboratories, office buildings, and mental health hospitals.

The Administration proposes a significant capital outlay program as an initial commitment to funding these needs and investing in California's future. Included in the Budget is \$961 million for some 200 major and minor capital projects. Most of the funding for these projects will be provided from numerous special funds and existing bond authorizations, while \$149 million is proposed from the General Fund. (The components of these expenditures are discussed in the Capital Outlay section.)

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In addition to the expenditures included in the Budget, the Administration is proposing a significant new bond program to ensure that California can meet the challenges and opportunities of the future (see Figure A). While this bond package constitutes a major step toward meeting California's infrastructure needs, it is designed to ensure that the State does not exceed a prudent debt level. The infrastructure initiative consists of bonds for the following areas:

**FIGURE A**

Program	Dollars in Billions
K-12 Schools	\$2.0
Higher Education	1.0
Infrastructure Bank	0.2
Correctional Facilities	1.4
Water	1.3
Watershed, Wildlife and Parks Improvement	0.8
Other Critical Infrastructure	0.3
<b>Total</b>	<b>\$7.0</b>

## K-12 SCHOOLS—\$2 BILLION

Between 1996 and 2006, K-12 enrollment is expected to increase by approximately one million. An additional \$11.6 billion will be needed to provide new classrooms to accommodate this growth and \$6.1 billion will be needed to modernize existing facilities. These amounts are in addition to the needs resulting from class size reduction and deferred maintenance, which have been funded through the K-12 local assistance budget. In order to ensure that all children are provided a classroom in which to learn, it is necessary that the State plan now to address the infrastructure needs of the K-12 schools throughout the State.

The Administration is proposing that the State commit now to a multi-year program to address this need. Specifically, the Administration proposes that legislation be enacted in 1998 that would place a total of \$8 billion of bond authority to finance school construction on the ballots over the next four election year cycles from 1998 to 2004. This proposal is premised on enactment of reforms in K-12 facilities financing and administration which include:

☛ Lowering the two-thirds vote requirement for local school bonds.

- Reforming the current developer fee system to provide a more equitable distribution of funding responsibility between school districts, developers, and the State.
- Simplifying and streamlining the state funding process for local school construction.

For more detail on these reforms and the Administration's overall proposal, see the K-12 Education section.

## HIGHER EDUCATION—\$1 BILLION

Education is a major force behind economic growth. To retain their excellence, California's institutions of higher education—the University of California, the California State University, and the California Community Colleges—need capital improvements to sustain their mission:

- Renewal of aging facilities as they decline with time and intensive use.
- New and updated requirements related to building, fire/life safety, and accessibility codes which have changed dramatically in recent decades.
- Obsolescence of facilities and the use of technology in academic programs—instruction and research requirements evolve and change direction as new knowledge and new industry demands are developed.
- Seismic retrofitting of buildings has been and continues to be one of the highest priorities for capital outlay funding for higher education.

*Education is a  
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behind  
economic  
growth.*

Addressing all of these needs is complicated by the forces of demographics. Increased student demand is expected to start in 1999-2000, and will further accelerate by 2005-06.

The Administration proposes a \$1 billion bond which will provide \$150 million per year for each of the three segments in 1998-99 and 1999-2000. In addition, \$100 million is proposed to help the segments meet matching requirements for federal hazard mitigation funding.

## INFRASTRUCTURE BANK—\$200 MILLION

California's long-term economic health depends on adequate levels of private and public investment in infrastructure. In order to address the significant gap that exists for local governments to independently raise funding for infrastructure for economic development projects, the Budget proposes \$50 million from the General Fund and a \$200 million General Obligation bond for the capitalization of the California Infrastructure and Economic Development Bank, consistent with the intent and objectives of legislation enacted in recent years. The Bank will assist local governments in the financing of roadways, sewers, water mains, defense conversion projects on closed military bases, and other critical infrastructure projects that are essential to attract, create, and sustain long-term employment opportunities in California.



## CORRECTIONAL FACILITIES—\$ 1.4 BILLION

**Prison Construction—\$1.024 billion.** Over the past 4 years, more than 200 new laws have been enacted that increase sentences for violent crimes and dangerous, repeat felons. Prison populations have been steadily rising at a time when construction of all previously approved new prison capacity will soon be completed. Despite these efforts, housing capacity lags behind population growth, forcing the conversion of prison dayrooms and gymnasiums into temporary dormitories. By February 2000, all available prison capacity will be in use and the system will be housing 178,000 inmates. Inmates will be housed in triple bunks, including in dormitory housing units and converted gymnasiums; higher-risk felons will have to be placed in lower-security housing.

California has engaged in an aggressive prison construction program for the past 15 years. Additional capacity for nearly 114,000 inmates has been added. Two major construction programs are almost complete: the California Substance Abuse Treatment Facility and State Prison at Corcoran and the systemwide Emergency Bed Program.

Operating the prison system at prolonged, extreme levels of overcrowding presents dangers both to the public and correctional employees. It also taxes the prisons themselves—especially the older prisons—accelerating the need for repair and maintenance. And finally, in cases where the courts deem that prison conditions represent an unreasonable health and safety threat to inmates, they can—and have, in other states—order the early release of felons. Were this to occur, the public would be placed at risk, and the deterrent value of stiffer crime sentences would be lost.

It takes three years before a new prison can be built and receive inmates (even considering that California has developed a “fast-track” method of prison construction that allows it to construct prisons faster than many other states). Therefore, the capacity problem facing the State in the year 2000 must be addressed now. The Budget contains a proposal to initiate a contract of 5,000 beds in 1998-99. Approximately 2,000 of these beds will be available in 1998-99. These are part of the Administration’s proposal for a total of 15,000 contract beds. The remaining beds will be activated in subsequent years to address the overall housing shortfall through 2002-03.

The construction of bed capacity, especially celled capacity, remains critical. To meet the housing needs for the most violent felons, the Administration will be proposing a plan through special legislation during the 1998 session. The Administration’s proposal includes the design and construction of four prison projects and the construction of ten new Administration Segregation buildings. The proposal also includes the planning and design for one additional prison with construction funding to be authorized in a subsequent year. The cost of the program will be about \$1.3 billion, which will be funded from \$1.024 billion in bond authority and \$250 million from future grants received pursuant to the Federal Violent Crime Control and Law Enforcement Act of 1994. Given typical construction time frames, the first new prison will be completed approximately three years after authorization. It is expected that sufficient federal funding will be received in the next three years to finance approximately 90 percent of the planning and construction of one of the new prisons and related administrative costs.

**State Juvenile Facilities—\$33 million.** To provide a safe and secure environment for the protection of the public, as well as for institutional staff and the offender population, it is essential that the California Youth Authority have an adequate number of secure, single-occupancy rooms. The California Youth Authority has facilities that were activated between 1947 and 1967 as open dormitory settings and were intended for a predominately nonviolent offender population.

In order to provide the needed space to manage violent and disruptive offenders, it is proposed that 300 individual rooms be constructed at 4 California Youth Authority facilities for a total cost of \$33 million.

**Local Juvenile Facilities—\$350 million.** California's local juvenile detention facilities are crowded and dilapidated. Most juvenile detention facilities were constructed over 25 years ago when juvenile offenders were less criminally sophisticated, less emotionally troubled, and less violent than today's juvenile offender population. The number of juveniles between the ages of 11 and 17—the age responsible for 99 percent of juvenile arrests—is estimated to increase 33 percent within the next decade. Projections are that California will need 6,000 local juvenile facility beds by the year 2000 to address the first wave of that increase.

The 1997 Budget Act provided \$37.4 million from the Federal Crime Bill to construct new juvenile facilities. Despite these funds, there still exists a need to construct and/or renovate local juvenile facilities to provide sufficient capacity. To meet this need, it is proposed that \$350 million in bonds be placed on the 1998 ballot.

## WATER—\$1.3 BILLION

Managing water for the optimum and balanced use by the State's population, fish, wildlife, and habitats is the challenge that the Governor addressed when outlining his comprehensive State Water Policy plan in 1992. This was the first such framework for California in more than 25 years.

A major component of the Administration's plan is to restore the health of the San Francisco Bay/Sacramento-San Joaquin Delta, provide adequate water supplies, improve water quality, promote water recycling and reuse, and protect and restore fish and wildlife resources in the Delta and its associated tributaries. Many of these issues are now being addressed through the CALFED Bay-Delta Program, a state-federal partnership committed to restoration of the ecosystem of the Delta.

To further advance the strategies of the State Water Policy and to build on the achievements of CALFED and Proposition 204, approved by California's voters in 1996, the Administration proposes a \$1.3 billion bond. Without prejudice to any of the alternatives identified by CALFED, this bond will encompass the need for water supply reliability, water quality for human consumption as well as fish and wildlife purposes, and flood protection. Included is funding for water recycling and conservation, development of local conjunctive use opportunities, watershed management, and a preliminary evaluation for offstream surface storage opportunities. Funding is also proposed for levee improvements, securing floodway easements, and flood control subventions. Additionally, the bond proposal includes funding for projects to reduce nonpoint source pollution and urban runoff as well as for projects related to safe drinking water.

## WATERSHED, WILDLIFE, AND PARKS IMPROVEMENT—\$800 MILLION

In 1991, the Governor unveiled a far-reaching plan—Resourceful California—that charted a new course of conservation and stewardship of California's vast natural and cultural resources. Since that time, the Administration has instituted a series of innovative policies across California to strengthen coastal protection and access, preserve forestlands, parklands, riparian and wetlands habitats, conserve farmlands, improve fish and wildlife habitat, and protect the State's cultural and historic resources.

To further the policies of Resourceful California, the Administration proposes an \$800 million bond. These funds reflect the Governor's commitment to ensure California's natural resources are conserved, restored, and protected as an investment by the people of this State for its future generations. The specifics of the proposed bond are as follows:

.....◆.....  
*Managing water for the optimum and balanced use by the State's population...is the challenge that the Governor addressed when outlining his comprehensive State Water Policy plan in 1992.*  
.....◆.....



## INFRASTRUCTURE

California State Parks	\$310 M	Infrastructure rehabilitation and replacement; deferred maintenance; purchase of critical inholdings.
California Tahoe Conservancy	\$95 M	California's commitment to implement the Environmental Improvement Plan for the Lake Tahoe Basin.
Wildlife Conservation Board	\$95 M	Restoration and preservation of wetlands, riparian, and NCCP parcels.
Headwaters Forest	\$130 M	California's match to federal funding for purchase of the old growth Headwaters Forest.
State Coastal Conservancy	\$100 M	Coastal access, protection, and restoration of significant coastal habitats.
Coachella Valley Mountains Conservancy	\$10 M	Acquisition and enhancement for conservation and public use.
San Joaquin River Conservancy	\$10 M	Acquisition, restoration, and development for conservation and public use.
Santa Monica Mountains Conservancy (SMMC)	\$25 M	Acquisition, restoration, and improvement of coastal SMMC properties; local grants for wildlife corridor protection.
Department of Conservation	\$20 M	Grants for agricultural easements; reclaim abandoned mines for watershed and water quality improvement.
Department of Fish and Game	\$5 M	Development of wildlife areas and ecological reserves.

### OTHER CRITICAL INFRASTRUCTURE—\$300 MILLION

While education, corrections, and natural resources require large amounts of funding, state government is responsible for many functions outside of these areas that also depend upon adequate infrastructure. Public health laboratories, office buildings, criminalistic laboratories, and mental health hospitals are just a few of the other kinds of infrastructure that must be built and kept functioning to enable the delivery of important public services. There is a continuous need to finance critical fire/life safety projects.

The Administration's bond proposal reserves \$300 million for critical infrastructure projects that need to be addressed in the next two years, including construction of an additional crime laboratory for the Department of Justice, additional beds at Atascadero State Hospital, and continued office consolidation projects which produce long-term lease savings.



## TRANSPORTATION

A sound transportation infrastructure is essential to California's commerce and an economy dependent upon the efficient movement of the State's workforce, goods, and services.

For the first time since the adoption of the 1992 State Transportation Improvement Program (STIP), the State will have a substantial increase in funds available to program new highway and mass transportation projects. This increase follows a six-year period during which substantial revenues promised for new projects had to be redirected to the seismic strengthening of the State's highway overpasses and toll bridges. The enactment of the Seismic Retrofit Bond Act of 1996 and Chapter 327, Statutes of 1997, provided a \$4.8 billion financing package to complete the needed seismic retrofit projects, including construction of a new eastern span of the San Francisco-Oakland Bay Bridge.

The 1998 preliminary STIP fund estimate, released in December 1997, anticipates that \$8.3 billion will be available for capital outlay programming during the six-year time frame of the 1998 STIP. Of this amount, Caltrans projects that \$4.6 billion will be available for new programming commitments—a substantial increase for new projects compared to recent years. In addition to the \$8.3 billion of 1998 STIP funds, Caltrans will spend \$5.1 billion over the next six years on the State Highway Operations Protection Program (SHOPP) for major pavement and bridge rehabilitation projects that extend the life of the existing highway system. In total, approximately \$13.4 billion will be committed by Caltrans over the next six years to fund the 1998 STIP and SHOPP projects.

.....◆.....  
A sound  
transportation  
infrastructure  
is essential to  
California's  
commerce...

.....◆.....







# RESOURCES & ENVIRONMENTAL QUALITY

**I**n his first year in office, the Governor launched an ambitious, multi-faceted program for a new era of stewardship of California's rich, diverse natural resources—Resourceful California.

Following on the agenda of Resourceful California, the Administration developed the State Water Policy Framework, the State's Comprehensive Wetlands Policy, and the Ocean Resources Agenda. The Administration's actions have also resulted in the preservation of over 12,000 acres of riparian habitat and the development of partnerships with public, private, and non-profit sectors to protect the State's natural resources while integrating environmental, economic, and social objectives.

For 1998-99, the Administration proposes the following initiatives:

-  Ocean and Coastal Initiative
-  Watershed Initiative
-  Lake Tahoe Initiative
-  Natural Community Conservation Planning Program

## OCEAN AND COASTAL INITIATIVE

California's ocean resources generate an estimated \$17 billion from ocean-dependent industries and provide more than 250,000 jobs. Recent efforts continue to demonstrate that the ocean ecosystem health is dependent upon resource protection programs. In addition, any long-term effort to manage California's ocean resources must provide sufficient resource protection without sacrificing the economic benefits local communities currently receive from activities related to the State's beaches and coast.

In 1997, the Governor issued Executive Order W-162-97 to encourage and facilitate better coastal resource planning. Legislation was also enacted to improve the management of California's ocean and coastal resources.

The 1998-99 Ocean and Coastal Initiative expands and builds upon the proposals of the 1997-98 Coastal Initiative and the resource management activities currently underway. The 1998-99

.....◆.....  
*...any long-term  
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ocean resources  
must provide  
sufficient  
resource  
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without  
sacrificing the  
economic  
benefits...*

.....◆.....



Initiative includes funding for enhanced activities as outlined below and will include the introduction of legislation to further address other conservation and management aspects.

### Coastal Access and Protection

The Budget includes \$5.7 million to the Coastal Conservancy for an aggressive program to acquire and secure expiring rights-of-way for public access to the coast.

### Coastal Wetlands Restoration and Protection

Since 1993, the State has acquired more than 50,000 acres of wetlands and has restored and enhanced over 120,000 acres. This represents a substantial improvement in the quality, quantity and permanence of wetlands in California. Most of the wetlands improvements have occurred in the Central Valley and San Francisco Bay regions and have been possible, in part, because of new comprehensive planning and landowner incentives. As part of the Ocean and Coastal Initiative, the Administration proposes:

.....◆.....  
*Since 1993, the State has acquired more than 50,000 acres of wetlands and has restored and enhanced over 120,000 acres.*  
.....◆.....

☛ \$6.75 million for the Southern California Wetlands Clearinghouse, administered by the State Coastal Conservancy in cooperation with other public entities. This unique interagency effort is designed to acquire, restore, and enhance coastal wetlands and their associated watersheds in Southern California in a comprehensive and cooperative manner.

☛ \$109,000 to promote mitigation banking in the San Francisco Bay area. The San Francisco Bay Conservation and Development Commission, in cooperation with other state, federal, and local entities, will develop mitigation banking guidelines and integrate its policies to promote more comprehensive wetlands protection and simpler regulatory processes.

### Reef Fisheries Enhancement and Nearshore Ecosystem Management

The Ocean and Coastal Initiative proposes the following for the enhancement of research, information collection and management, and enforcement:

☛ \$1 million to the Department of Fish and Game for: (1) the creation of artificial reefs where natural reef habitat is limited, (2) the research and development of management plans for California's commercial and sport fisheries, (3) increased inspection and protection of mariculture activities, and (4) increased enforcement activities to reduce wildlife losses from illegal activities.

☛ \$2.6 million to the Department of Fish and Game to expand nearshore fish tagging and releasing and the sampling of commercial reef fish landings to better understand species composition, age, and catch locations. A geographic information system database will be created to capture bathymetric mapping of the coastline, baseline ocean floor feature mapping, and general species distribution. This database will be made available through the California Environmental Resources Evaluation System.

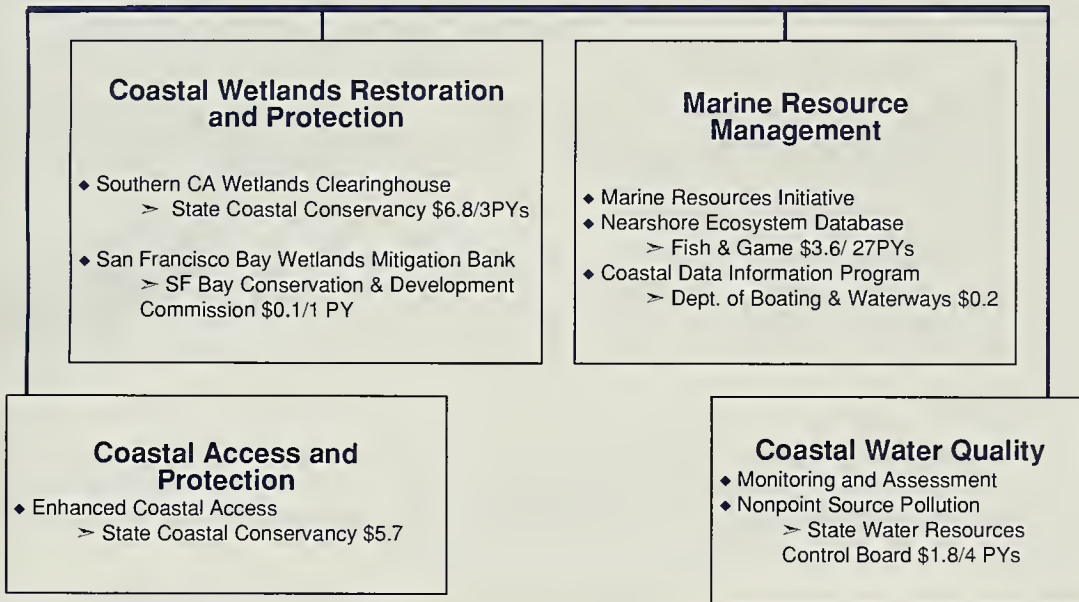
☛ \$200,000 to the Department of Boating and Waterways to expand the Coastal Data Information Program to include measurements of wind and short-period wind waves to aid in the prediction of large wave events.

In addition, in order to provide the necessary oversight and improve management of marine fisheries and the nearshore ecosystem, the Department of Fish and Game is establishing a Marine Region. This region will protect and enhance marine commercial and sport fisheries and aquaculture activities.

**FIGURE A**

## Ocean and Coastal Initiative \$18.2 Million and 35 Personnel Years (Dollars in Millions)

To fulfill the 1976 Coastal Act as well as the directives of the recently signed Ocean and Coastal Resource Management Executive Order, this Initiative takes actions to preserve and protect the State's coastline and natural habitat for the benefit of current and future generations.



## Coastal Water Quality

The Budget includes the following for ocean and coastal water quality monitoring and pollution reduction efforts:

- ☛ \$800,000 to the State Water Resources Control Board for the expansion of coastal water monitoring and assessment in the following three areas: (1) the program measuring contamination levels in fish in the San Francisco Bay will be expanded to other coastal waters; (2) an investigation to determine sources of contamination in commercial shellfish beds will be initiated; and (3) a contract will be initiated to conduct a survey on the regional impacts on marine life caused by pollution from land.

☛ \$1 million to the State Water Resources Control Board to document state conformity with the federal mandates of the Coastal Zone Act Reauthorization Amendments. Specifically, the amendments require coastal states to develop plans to prevent or control pollution from non-point sources such as agricultural and urban runoff.

### WATERSHED INITIATIVE

.....◆.....  
*The Watershed Initiative will implement a better means to protect and enhance both the environmental and economic values of California's watersheds.*

Through the Natural Community Conservation Planning Program, the Governor's State Water Policy, Wetlands Policy, and other programs, the Administration has demonstrated the importance of ecosystem management as a means by which to achieve sustainable development. The change from time-consuming, costly, and burdensome project-by-project and species-by-species reviews to watershed-oriented environmental assessments can save time and money for landowners, local governments, and the State.

The Governor's Watershed Initiative is designed to build on California's experience with ecosystem management by expanding this work to key watersheds of the State, including forests and range-land subject to regulation by the Department of Forestry and Fire Protection under the Forest Practice Act. Since this habitat supports the Coho salmon and other diminished stocks of salmon, more effective watershed management will facilitate recovery of these species. The Initiative has been designed in close cooperation between the Departments of Forestry and Fire Protection, Fish and Game, and Conservation as well as the California Environmental Protection Agency and the State Water Resources Control Board.

The Watershed Initiative will implement a better means to protect and enhance both the environmental and economic values of California's watersheds. The Initiative will be conducted consistent with Executive Order W-159-97, which established the Watershed Protection and Restoration Council. This Executive Order expressed the intent of the State to encourage and support community-based watershed efforts.

.....◆.....  
Integrated program review assists in the development of watershed plans that consider environmental impacts that are generally not captured under conventional review. Project-specific analysis focuses only on impacts to the environment caused by a single project, not the broader issues of watershed management.

The technical and financial assistance embodied in the Watershed Initiative will allow state resources to be delivered in a coordinated fashion to community-based groups, such as resource conservation districts, local governments, and coordinated resource management plans, to enable those groups to meet their local objectives within the context of the various state and federal resource protection mandates.

### Coordinated Technical Assistance

☛ \$1 million to the Department of Fish and Game to provide biological and ecological expertise to community-based watershed groups and other agencies on all matters pertaining to fish and wildlife; develop watershed ecological impact and recovery models; provide training in watershed assessment, restoration, and monitoring; and monitor the recovery of species. The Department will contract with the Department of Conservation to provide geology and soil expertise to community-based watershed groups and the Department of Forestry and Fire Protection to provide a forestry specialist dedicated to working with community-based watershed groups.

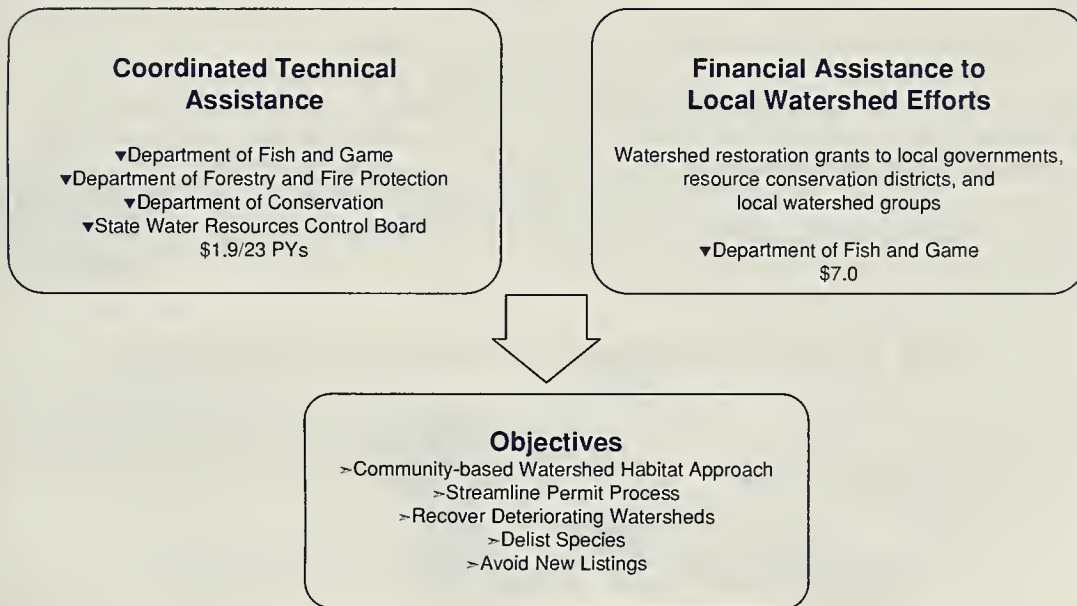


☛ \$931,000 to the State Water Resources Control Board to provide assistance to community-based groups on matters pertaining to water quality, especially through the activities of the Regional Water Quality Control Boards, and to assist in planning and coordinating water quality monitoring and assessment efforts and in evaluating and interpreting results.

**FIGURE B**

## **Watershed Initiative** \$8.9 Million and 22 Personnel Years (Dollars in Millions)

Evolution from time-consuming, costly, and burdensome project-by-project and species-by-species reviews to watershed-oriented environmental analysis and planning can save time and money. The Watershed Initiative is designed to build on California's experience with ecosystem management by expanding this work to key watersheds of the State.



## **Financial Assistance to Local Watershed Efforts**

☛ \$7 million to the Department of Fish and Game to provide grants to local governments, resource conservation districts, and community-based watershed groups to enable them to meet their objectives within the context of the various state and federal resource protection mandates. This will include watershed stewardship plans and restoration projects.

## LAKE TAHOE INITIATIVE

Lake Tahoe is one of the State's greatest natural resources, attracting thousands of visitors each year from around the world. However, the lake's renowned clarity and the quality of its blue waters have been degrading slowly due to the increasing demands of tourism and recreation. In July 1997, Governor Wilson—contingent on the federal government paying its fair share—joined with the Governor of Nevada in signing a Memorandum of Understanding (MOU) which endorsed the implementation of the Tahoe Regional Planning Agency's (TRPA) \$904.6 million ten-year Environmental Improvement Program (EIP) for Lake Tahoe. TRPA, in conjunction with local, state, federal and private representatives, developed the EIP as a strategic approach to achieving adopted environmental thresholds. Through the Governor's efforts, the State of Nevada and the federal government have agreed to work with California toward the funding and implementation of the EIP.

.....◆.....  
*...the Budget  
 includes the  
 addition of  
 \$11.5 million...  
 the Tahoe  
 Basin.*

Under the EIP, California is responsible for \$274 million over ten years, with the federal government supplying about \$300 million. Nevada is contributing \$85 million, and the remainder coming from local and private sources. Thus far, the federal government has pledged approximately \$50 million in funding over the next two years, approximately half of which is new funding. California will meet its share of the costs through direct funding in the Budget and through proposed bond funds for future year funding.

Through programs currently implemented in the region by the California Tahoe Conservancy (CTC), California is already providing base funding in the amount of \$10.4 million, including a comprehensive set of programs involving acquisitions, site improvements, and land management activities to affirmatively address the resource needs of the Tahoe Basin. In addition, the Budget includes the addition of \$11.5 million for 1998-99, through the expansion of existing programs and the initiation of new projects in the Tahoe Basin.

## Soil Erosion Mitigation and Watershed Restoration

☞ California Tahoe Conservancy. \$10.3 million to acquire and restore environmentally sensitive lands, enhance key wildlife habitats, address high-priority soil erosion control needs, and improve recreational opportunities and public access in an environmentally sound manner.

## Forest Health and Fire Danger Improvement

☞ Tahoe Re-Green—*California Conservation Corps (CCC) and CTC*. \$721,000 to accelerate the removal of dead and dying trees and undergrowth to improve forest health and reduce fire danger through the addition of two work crews under the Tahoe Re-Green program.

## Lake Tahoe Water Quality and Monitoring

☞ Environmental Improvement Program Evaluation System—*TRPA*. \$127,000 General Fund to provide support for the second year of a two-year project to provide real-time environmental measurement information to allow TRPA to make adjustments to local stream restoration and soil conservation projects to improve environmental measurements and ultimately aim at achieving environmental threshold standards.

**Threshold Studies —TRPA.** \$167,000 General Fund to perform six evaluations to provide for ongoing monitoring of its nine established environmental thresholds which address water quality, air quality, soil conservation, vegetation preservation, wildlife, fisheries, noise, recreation, and scenic resources at Lake Tahoe.

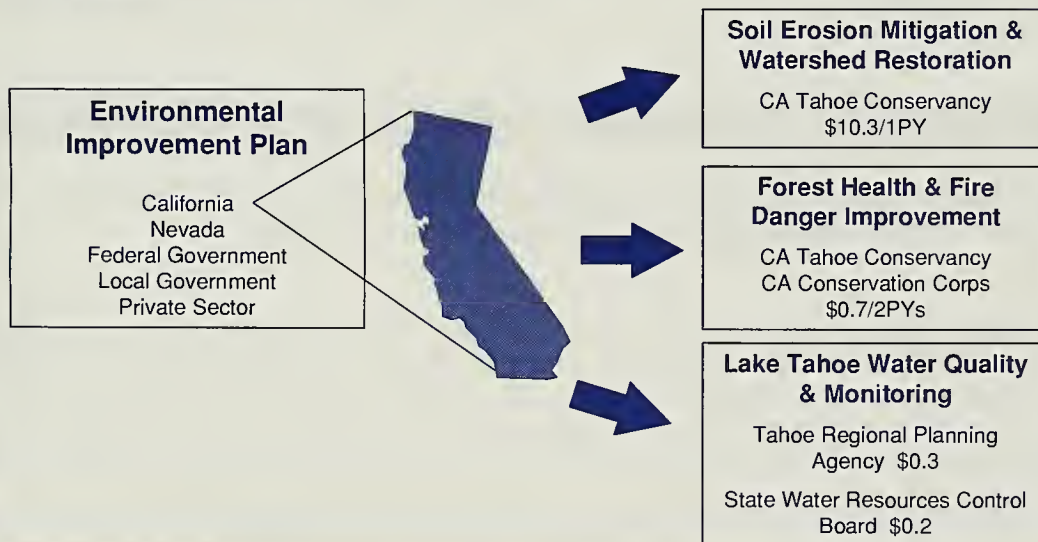
**Research and Monitoring—State Water Resources Control Board.** \$150,000 General Fund to restore funding for research and monitoring activities in the Tahoe Basin for algae sampling and weekly sampling of key water quality indicators such as sediment, nitrogen, and phosphorus in order to maintain an ongoing record of changes in Lake Tahoe's chemistry and physics, and to determine the most beneficial management practices in resolving water quality problems in the Lake.

The Tahoe Initiative will provide the funding necessary to exhibit a solid commitment to the EIP and ensure the ongoing protection and enhancement of the resources of the Lake Tahoe Basin.

**FIGURE C**

## Lake Tahoe Initiative \$11.5 Million/3 Personnel Years (Dollars in Millions)

Through a state/federal/local/private partnership, the goal of the Lake Tahoe Initiative is to preserve and enhance the Lake Tahoe Basin for the use and enjoyment of future generations. The proposed state resources reflect the Governor's commitment made during the Tahoe Summit to match the federal government's financial commitment for implementation of the Environmental Improvement Plan for the Basin.





## NATURAL COMMUNITY CONSERVATION PLANNING (NCCP) PROGRAM

NCCP is California's foremost example of a new generation of natural resource conservation policies that have, at their heart, the primacy of habitats and ecosystems.

.....◆.....  
Begun in 1991, NCCP is designed to anticipate and prevent the controversies and regulatory gridlock caused by the traditional single-species approach to wildlife conservation embodied in state and federal law, and to substitute for it the long-term stability of complete ecological systems. The goal of the program is to protect sufficient acreage in regional preserves to assure survival of the ecosystem and, at the same time, permit compatible uses of less sensitive land.

*NCCP is  
California's  
foremost  
example of a  
new generation  
of natural  
resource  
conservation  
policies...*

The initial application of the NCCP Program is occurring in the coastal sage scrub, a much-degraded habitat scattered over more than 6,000 square miles encompassing large parts of Southern California. In the past year, the counties of San Diego, Orange, Riverside, and San Bernardino, in conjunction with some two dozen cities in those counties, other local governments, state and federal agencies, and private landowners, have made significant progress on or completed species and habitat conservation plans covering well over one million acres. These plans include over 200,000 acres to be permanently preserved for habitat.

The planning for and the implementation of NCCP plans in Southern California will continue for years. Work in the future will build on the solid foundation of the past five years. For that purpose, the Budget includes the following augmentations for NCCP efforts:

.....◆.....  
☛ \$10.9 million to the Wildlife Conservation Board for the acquisition of coastal sage scrub and other habitat, consistent with approved and future NCCP plans in Southern California.

☛ \$5 million to the State Coastal Conservancy for the acquisition and restoration of coastal wetland and watershed habitat in association with the Multiple Species Conservation Plan and the NCCP Programs in San Diego County.

☛ \$3.6 million to the Department of Fish and Game for assistance to local governments in their establishment and implementation of local NCCP plans.

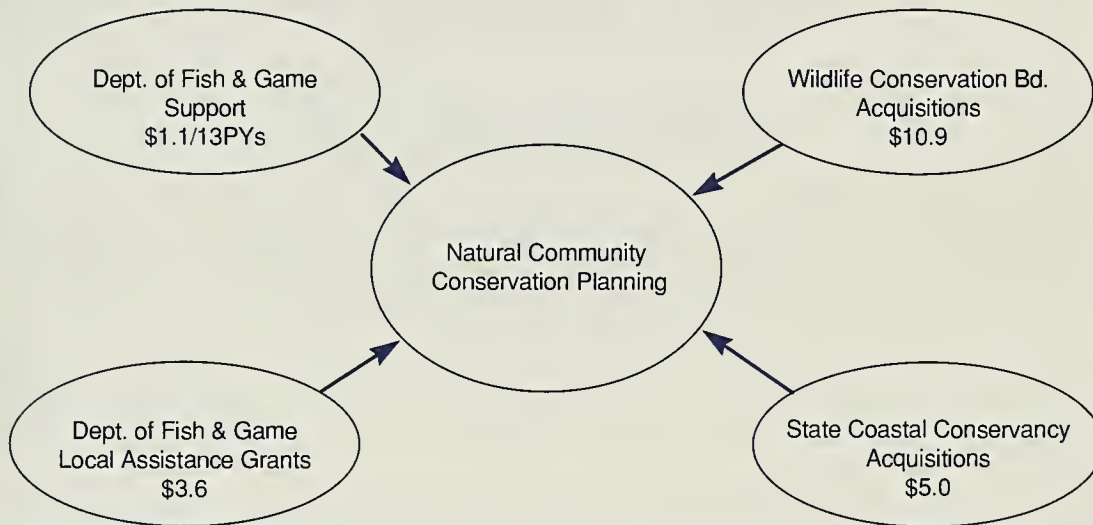
☛ \$1.1 million and 13 personnel years to the Department of Fish and Game for permanent support resources for the NCCP Program.

FIGURE D

### Natural Community Conservation Planning

\$20.6 Million/13 Personnel Years  
(Dollars in Millions)

The objectives of the Natural Community Conservation Planning (NCCP) is to protect sufficient acreage in regional preserves to assure survival of the ecosystem, and at the same time, permit compatible uses of less sensitive lands. Since the program began in 1991, state, local, and federal agencies have worked cooperatively with private landowners to make significant progress on or complete species and habitat conservation plans in Southern California covering well over one million acres.



### ENDANGERED SPECIES ACT REFORM

The Budget includes \$533,000 in 1997-98 and \$621,000 in 1998-99 for the Department of Fish and Game to implement legislation regarding the incidental take of endangered, threatened, or candidate species. Chapter 528, Statutes of 1997, allows for taking of such designated species, provided that the take is incidental to routine and ongoing activities conducted as part of an agricultural operation. Chapter 567, Statutes of 1997, authorizes the Department to issue incidental take permits if: (1) the take is incidental to an otherwise lawful activity, (2) the impacts of the take are minimized and fully mitigated, (3) the permits are consistent with existing recovery strategy regulations, and (4) the applicant ensures adequate funding to implement the mitigation measures. These actions provide for a more rational approach to managing the State's endangered, threatened, and candidate species.



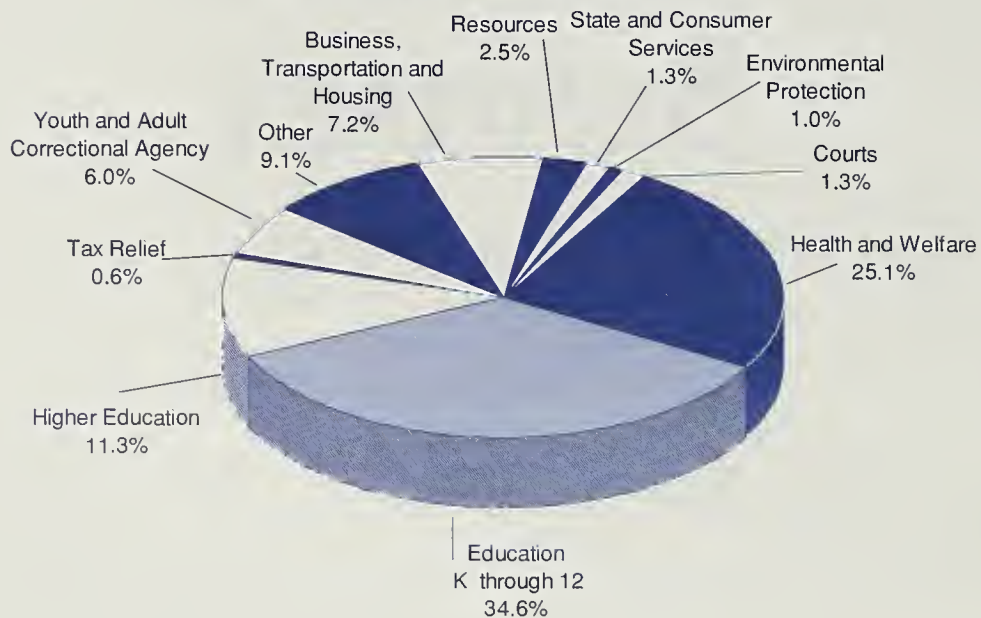


# 1998-99 SUMMARY CHARTS

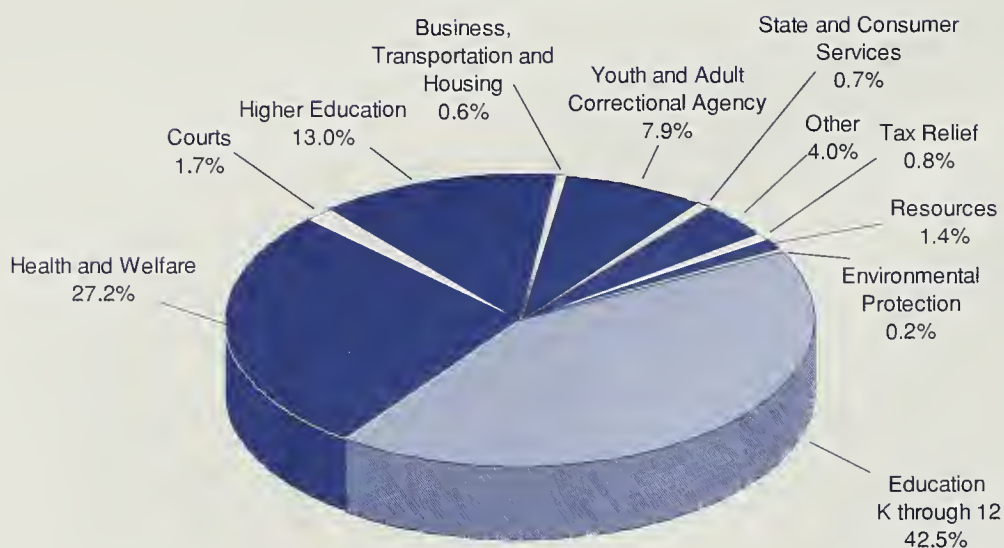
EXPENDITURES

1998-99 FISCAL YEAR

**Total Expenditures**  
(Including Selected Bond Funds)



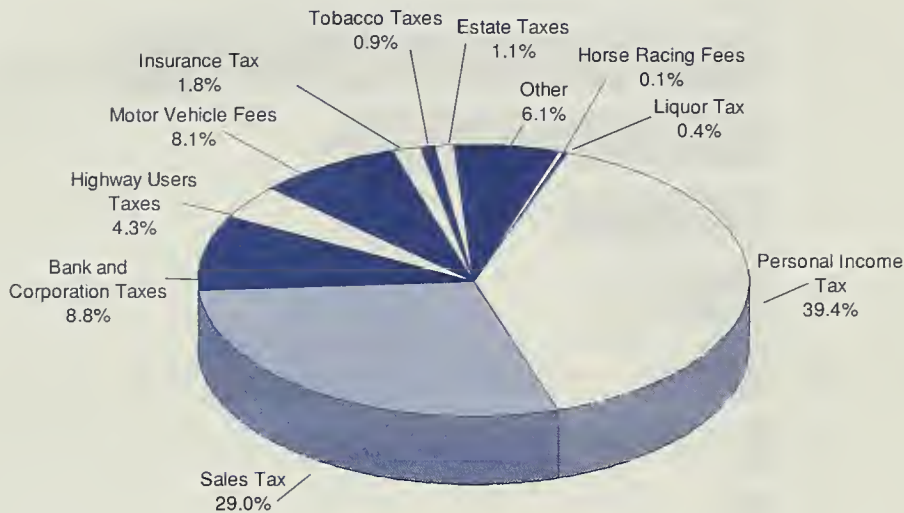
**General Fund Expenditures**



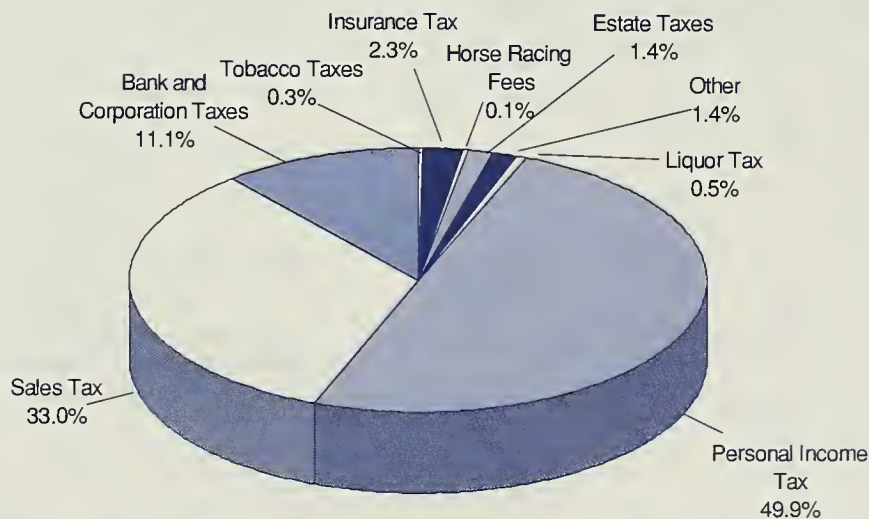
# REVENUES

## 1998-99 FISCAL YEAR

### Total Revenues and Transfers



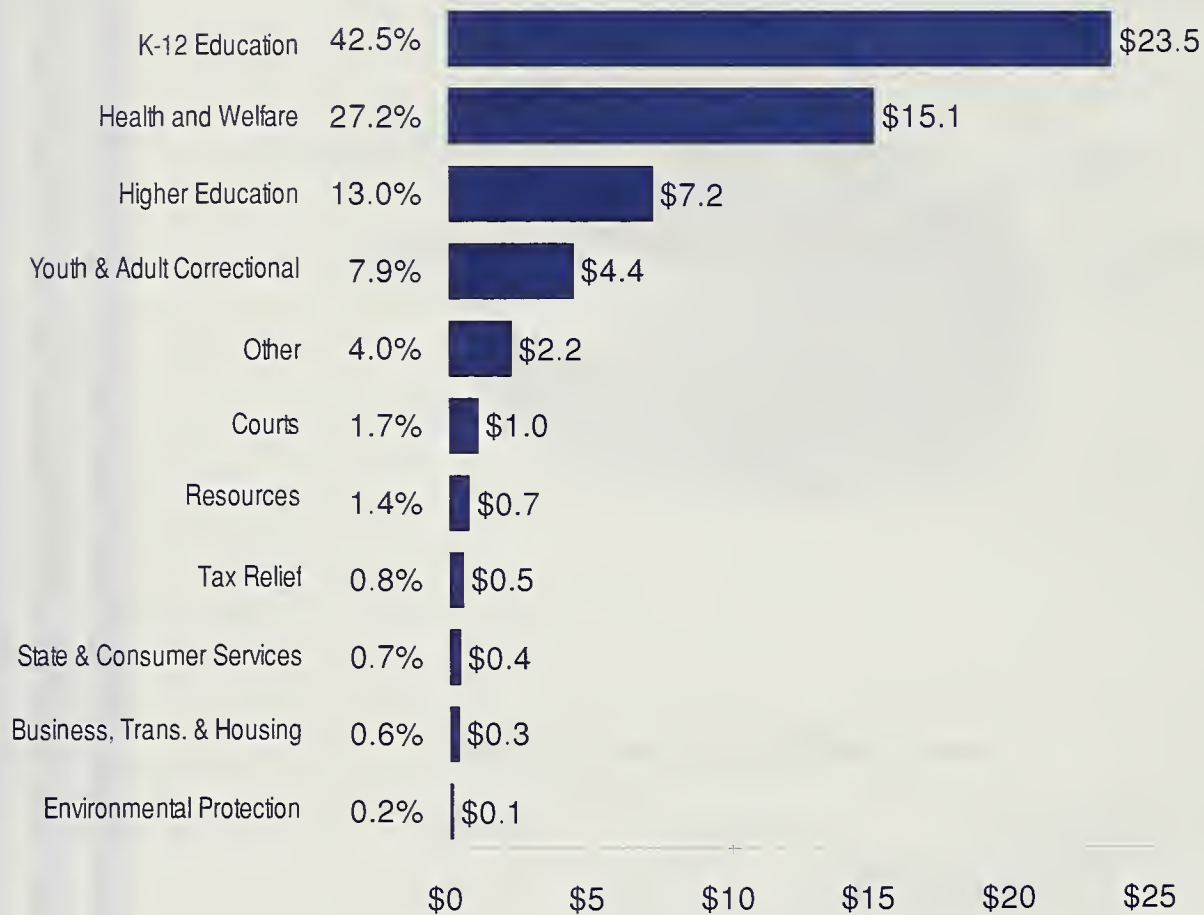
### General Fund Revenues and Transfers





**1998-99 GENERAL FUND EXPENDITURES**

(Dollars in Billions)



**1998-99 REVENUE SOURCES**

(Dollars in Millions)

	General Fund	Special Fund
Personal Income Tax	\$27,640	--
Sales Tax	18,290	\$2,066
Bank and Corporation Tax	6,175	--
Highway Users Taxes	--	2,994
Motor Vehicle Fees	36	5,622
Insurance Tax	1,281	--
Estate Taxes	762	--
Liquor Tax	268	--
Tobacco Taxes	162	479
Horseracing Fees	42	36
Other	727	3,523
<b>Total</b>	<b>\$55,383</b>	<b>\$14,720</b>

**1998-99 EXPENDITURES BY FUND**

(Dollars in Millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$23,522	\$59	\$1,957	\$25,538
Health and Welfare	15,070	3,460	--	18,530
Higher Education	7,191	655	460	8,306
Business, Transportation and Housing	338	4,445	538	5,321
Trade and Commerce	103	13	--	116
Courts	964	42	--	1,006
Tax Relief	465	--	--	465
Local Government Subventions	113	3,749	--	3,862
Youth and Adult Corrections	4,399	10	17	4,426
Resources	750	994	106	1,850
Environmental Protection	118	513	83	714
State and Consumer Services	408	477	61	946
Other	1,975	733	1	2,709
<b>Total</b>	<b>\$55,416</b>	<b>\$15,150</b>	<b>\$3,223</b>	<b>\$73,789</b>

**1998-99 GOVERNOR'S BUDGET  
GENERAL FUND BUDGET SUMMARY**

(Dollars in Millions)

	1997-98	1998-99
Prior Year Balance	\$906	\$774
Revenues and Transfers	\$52,890	\$55,383
<b>Total Resources Available</b>	<b>\$53,796</b>	<b>\$56,157</b>
Expenditures	\$53,022	\$55,416
<b>Fund Balance</b>	<b>\$774</b>	<b>\$741</b>
<b>Budget Reserves:</b>		
Special Fund for Economic Uncertainties	\$329	\$296
Reserve for Liquidation of Encumbrances	\$445	\$445



# ECONOMIC OUTLOOK

## THE NATIONAL ECONOMY

The long-anticipated slowing of U.S. economic growth did not materialize in 1997. Instead, real gross domestic product (GDP) advanced by about 3¾ percent, a full percentage point more than the 1996 increase of 2.8 percent (see Figure ECON-1).

Despite the strong growth—and an unemployment rate that reached a 24-year low of 4.6 percent in November—inflation remained extremely low, with the Consumer Price Index rising 2.4 percent and the more broadly-based GDP index inching up only 2 percent.

Real (inflation-adjusted) growth last year was powered by a 12-percent increase in investment—including a 10½-percent jump in business plant and equipment spending—and a more moderate 3.3-percent rise in household purchases. Of importance to California, investment spending was driven by a 38-percent increase in purchases of computers and related equipment, while consumers increased their real outlays on home computers by a staggering 71 percent.

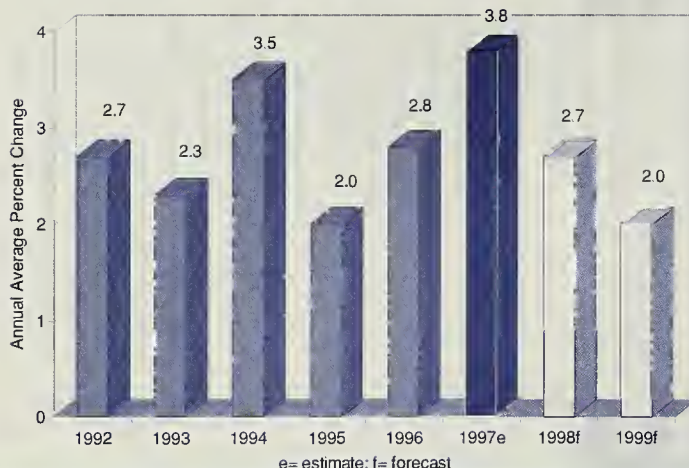
Government purchases (excluding transfer payments such as Social Security, Medicare, and welfare) rose just 1 percent, including a 1.5-percent decline in federal outlays. The foreign sector subtracted from growth last year, with the real deficit in goods and services widening to almost \$150 billion, from just under \$115 billion in 1996.

Over the course of the year, the federal budget came closer to balancing than at any time since 1970. The fiscal 1997 deficit of under \$23 billion amounted to less than 0.3 percent of GDP. Monetary policy, meanwhile, was mainly quiet, the Federal Reserve having boosted the overnight federal funds rate by a quarter point, to 5.5 percent, in March.

**What Happened to Inflation?** The Federal Reserve Board grappled all year with worries that an over-heated labor market would eventually result in higher inflation. Indeed,

FIGURE ECON-1

Growth of U.S. Real Gross Domestic Product



wages at year-end were rising at a better-than 4-percent pace, but the salary increases were being largely offset by moderate employee benefit costs and solid productivity gains. As a result of rising output per hour of work (productivity), manufacturers are actually experiencing declining unit labor costs despite wage hikes.

A strong dollar is also helping to contain price increases. On a trade-weighted basis, the dollar's value has risen 20 percent in world markets over the last year and one-half. The strong U.S. currency reduces the price to American producers of commodities imported from abroad. At the same time, slow economic growth in most of the industrialized world—North America and the British Isles are notable exceptions—is resulting in slack commodity demand and thus lower prices for many commodities. As a result, at the end of 1997 the broad commodity indices—those including food and industrial materials—were generally down 2 to 3 percent from 1996 levels. Excluding foods, industrial commodities are down 10 to 12 percent.

In addition to keeping a firmly tightened lid on commodity prices, the strong dollar reduces the cost of imported finished goods, which in turn places competitive pressures on domestic producers. As a result, consumer goods inflation averaged less than 1 percent last year, and these prices—measured by the personal consumption expenditures price index—actually declined from April to October, the latest month for which figures are available.

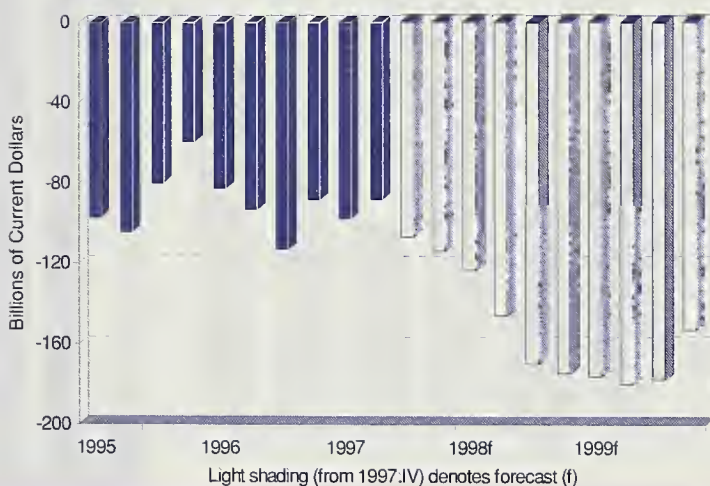
However, the strong dollar also has another effect. American-made goods have become more expensive overseas, with the result that exports have seen little growth over the past year. Financial turmoil in much of Asia—and a very weak domestic economy in Japan—is contributing to a wider U.S. trade gap.

**Moderate Growth Ahead.** The pace of economic growth is likely to slow in the year ahead, if for no other reason than the nation may soon run out of willing and able workers to add to the job rolls. With unemployment at 4.6 percent in November and labor force participation at a record 67.1 percent of all non-institutionalized persons over the age of 15, it will become increasingly difficult to add the customary 200,000 to 300,000 jobs each month. This is especially evident when it is realized that the adult population is growing at a rate of 1 percent per year, much more in line with job growth of closer to 100,000 per month.

Ordinarily a slowdown in the economy would be engineered by the Federal Reserve, through hikes in short-term interest rates, often assisted by the bond market which usually moves in anticipation of central bank actions. Recent events in Asia, however, have served to put the Federal Reserve on hold, while the market for American interest-bearing securities has been buoyed by a "flight to quality" away from Asian investments. Higher U.S. interest rates would further strengthen the dollar and make resolution of the region's financial problems all the more difficult.

FIGURE ECON-2

**The Growing Trade Gap**  
(Net Exports of Goods and Services)





Moreover, there is reason to expect that Asia's financial problems will soon put a damper on U.S. economic growth. The effects of the latest round of devaluations in Southeast Asia and Korea—the world's eleventh largest economy—have yet to be seen in American trade statistics. But Korean steel, cars, and memory chips will soon be 30 to 50 percent cheaper in dollar terms, while American goods will be considerably more costly when purchased with Korean won. The result will be more imports to the U.S. and fewer exports to Asia—in other words the trade gap will widen even further—thus subtracting from U.S. economic growth (see Figure ECON-2).

A summary of the U.S. outlook follows; details are in Figure ECON-7 at the end of this section:

Real GDP growth is expected to slow to around 2.7 percent in 1998, from 3.8 percent last year, due mainly to a widening trade deficit, which will subtract a full percentage point from real growth. Consumer spending growth is little changed at 3.2 percent, and fixed investment continues to rise by about 8 percent in real terms. Rising interest rates will push growth down to 2 percent in 1999, with consumption and investment both contributing to the slowdown.

Inflation is expected to remain low in 1998, but pick up somewhat in 1999. Moderate employee benefit costs will be less helpful this year, and wage pressures will continue to mount given low unemployment. But these cost pressures will be offset this year by competition from falling import prices mainly from Asia. Thus, consumer prices are expected to match last year's modest 2.4-percent rise in 1998. As the Asia effects recede next year, the rise in prices could creep up to 3.3 percent in 1999.

Assuming the Asian problems are moving toward a satisfactory solution, U.S. interest rates will probably begin to rise by summer as the Federal Reserve and bond investors again focus on tight labor market

conditions and rising costs. The increase in interest rates in 1998 should be limited to no more than one-half percent in short-term rates, perhaps less for longer-term borrowing costs. Given prospects for higher inflation in 1999, however, next year could see a more pronounced rise especially in long rates.

## THE CALIFORNIA ECONOMY

Led by strong growth in high-technology manufacturing and services, California's economy once again out-performed the nation in 1997. Indeed, 1997 was the best year of this decade for the State's economy, with employment growth exceeding 3 percent—approximately 400,000 new jobs—and income up by more than 7 percent. The State's jobless rate fell throughout 1997 reaching a 7-year low of 5.8 percent in November.

Since California's economy shifted into high gear at the beginning of 1995, the rate of job growth in the State has been roughly one and one-half times the national average rate of increase (see Figure ECON-3). Personal

FIGURE ECON-3

Job Growth, California and the U.S.

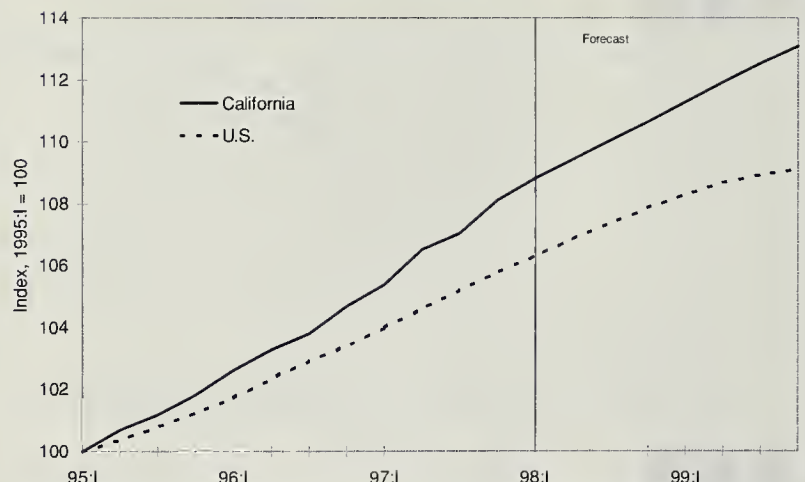
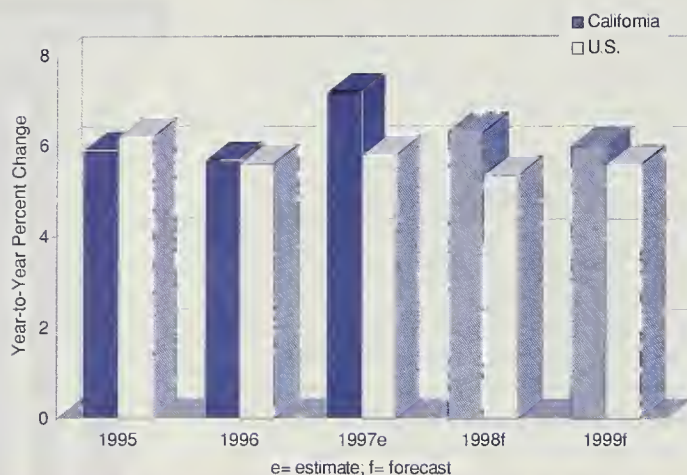




FIGURE ECON-4

### Personal Income Growth California and U.S.



income is also exceeding the national rate of increase by a considerable margin (see Figure ECON-4).

**Broad-Based and Balanced.** The upturn is broad-based with diverse industries from manufacturing to services all boosting job growth. Federal government—mainly Department of Defense reflecting the continuing effects of military base closures—was the only major segment to post job declines last year. The aerospace recovery, which began in 1996, continued in 1997.

Geographically, the recovery became more balanced in 1997. The Bay Area—and especially Silicon Valley (Santa Clara County)—remains the State's strongest regional economy. But Southern California's Riverside-San Bernardino metro area was the State's second fastest-growing job market, and the number-three growth area was the Sacramento metropolitan area in the Central Valley.

Among industries, business services is by far the leading job-producer adding close to 70,000 jobs last year. Fully one-third of that increase was concentrated in the computer software industry, with nearly as many new jobs in the "other business services" category

• which includes a number of multimedia and Internet provider firms.

• Construction was California's second leading source of new jobs last year, adding nearly 50,000 workers, driven for the most part by a strong 28-percent increase in nonresidential building activity, especially in commercial office structures and manufacturing facilities. Homebuilding, which has struggled throughout this upturn, began to show unmistakable signs of recovery in the second half of 1997, supported by a very strong resale market and rising home prices throughout the State.

• The electronics manufacturing group—computers, components, and instruments—and the closely related semi-conductor equipment industry created over 30,000 jobs, and there remain thousands of unfilled positions in these industries as well as in the software sector.

• Local public education was another major contributor to job growth, adding over 30,000 workers, many of them to meet the challenge of class size reduction in the kindergarten to third grade level. Motion picture production, health care, transportation, wholesale trade, and engineering and management consulting (which includes much of the California's biotechnology industry) all added significantly to job growth in 1997.

• The strong gains in jobs have translated into robust growth in personal income (see Figure ECON-4). Last year's estimated 7.2-percent rise in personal income included wage and salary increases of 7.7 percent, proprietors' growth of 7.9 percent, and an increase in property income (dividends, interest, and rent) of over 9.3 percent. In contrast, transfer payments (including unemployment insurance, welfare, Social Security, and Medicare), were up only 2 percent—the smallest gain in more than 60 years.

• **The Export Question.** California is by far the nation's leading export state, with shipments of California-made goods to other countries exceeding \$100 billion in 1996, the latest

available full-year statistic. This figure does not include services—such major items as motion pictures, computer software, foreign tourism, engineering consulting, and finance, to name a few—which would add at least another \$50 to \$60 billion to the goods total. In other words, California exports 15 to 16 percent of its trillion dollar domestic product to other countries, compared to less than 11 percent for the U.S. as a whole.

With slightly more than half of the State's goods exports sold in Asia—well above the nation's 30-percent share—the recent financial markets turmoil in that part of the world is of considerable importance to California's economy. (see Figure ECON-5). Even before these financial problems were front-page news, California had seen first-half 1997 declines in exports to several key trading partners, including Japan, Korea, Singapore and Malaysia (see Figure ECON-6).

However, the State sells to diverse markets, and these declines have been more than offset by strong double-digit growth in sales to Hong Kong, Taiwan, and especially to NAFTA partner Mexico, where the first-half of 1997 California exports jumped by more than 25 percent compared to the first half of 1996.

Given California's exposure to Asian markets, there is obviously an increased risk to the State's economic outlook. There are, however, a number of factors which may serve to offset the weakness in Asian markets:

• Much of the trade with Asia—about half in the case of Southeast Asia (e.g. Thailand, Malaysia)—represents components shipped from California for assembly into finished goods and major parts. Such items as hard disk drives, modems, and ink-jet printers are examples of assembly operations of California-based firms in that region. The depreciation of these currencies reduces labor costs in dollar terms.

• Exports did lead California out of the recession posting double-digit growth in 1994 and 1995. Now, however, the upturn

has broadened significantly to the point that the State continues to post strong gains in employment and incomes despite the slowing of exports.

• A variety of industries—transportation (trucking, shipping, warehousing), wholesale trade, and finance among them—will benefit from increased imports, partially

FIGURE ECON-5

Half of California-Made Exports Are to Asia

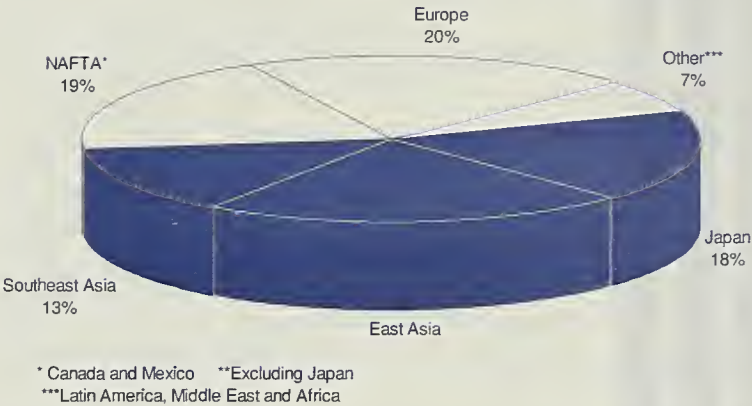
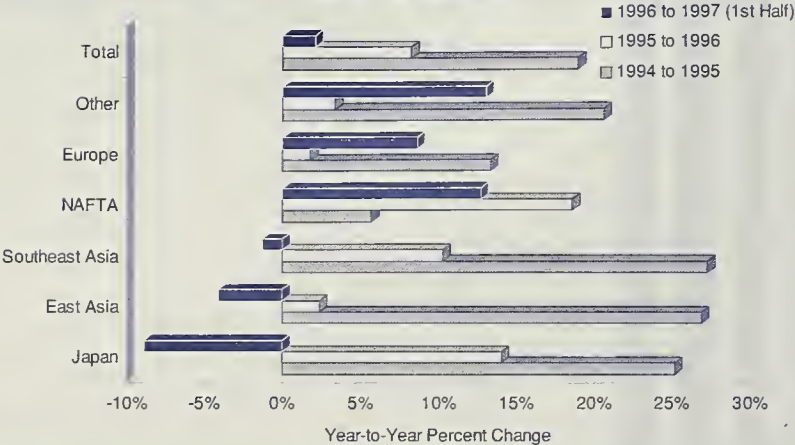


FIGURE ECON-6

Growth of California-Made Exports by World Region, 1995 to 1st Half 1997





**FIGURE ECON-7**

**Selected Economic Data for 1997, 1998, and 1999**

United States	1997	1998	1999
Real gross domestic product, (1992 Dollar) (Percent change)	3.8	2.7	2.0
Personal consumption expenditures	3.3	3.2	2.2
Gross private domestic investment	12.0	7.9	3.7
Government purchases of goods and services	1.0	1.4	1.0
GDP Deflator (1992=100) (Percent change)	2.0	2.2	3.0
GDP, (Current dollar) (Percent change)	5.9	5.0	5.1
Federal Funds Rate (Percent)	5.47	5.94	6.45
Personal income (Percent change)	5.8	5.3	5.6
Corporate profits before taxes (Percent change)	7.3	4.6	-0.4
Nonfarm Wage and salary employment (Millions)	122.2	124.8	126.7
(Percent change)	2.2	2.1	1.5
Unemployment rate (Percent)	4.9	4.7	4.9
Housing starts (Millions)	1.47	1.45	1.34
(Percent change)	-0.1	-1.1	-7.7
New car sales (Millions)	8.3	8.3	8.2
(Percent change)	-3.1	0.0	-0.5
Consumer Price Index (1982-84=100)	160.6	164.5	170.0
(Percent change)	2.4	2.4	3.3
<b>California</b>			
Civilian labor force (Thousands)	15,873	16,135	16,404
(Percent change)	1.8	1.7	1.7
Civilian employment (Thousands)	14,869	15,232	15,510
(Percent change)	2.8	2.4	1.8
Unemployment (Thousands)	1,004	903	894
(Percent change)	-10.8	-10.0	-1.0
Unemployment rate (Percent)	6.3	5.6	5.4
Nonfarm Wage and salary employment (Thousands)	13,141	13,506	13,810
(Percent change)	3.1	2.8	2.3
Personal income (Billions)	\$866.0	\$920.6	\$975.5
(Percent change)	7.2	6.3	6.0
Housing units authorized (Thousands)	110	130	126
(Percent change)	16.6	18.8	-3.5
Corporate profits before taxes (Billions)	\$78.1	\$81.8	85.2
(Percent change)	5.2	4.7	4.1
New auto registrations (Thousands)	1,354	1,410	1,440
(Percent change)	0.8	4.1	2.1
Total taxable sales (Billions)	\$340.0	\$356.3	371.6
(Percent change)	5.9	4.8	4.3
Consumer Price Index (1982-84=100)	160.6	164.9	170.5
(Percent change)	2.2	2.6	3.4

Note: Percentage changes calculated from unrounded data.

offsetting the effects of slower export growth.

The need to shore up Asian financial markets, coupled with the anti-inflationary impact of those nations' currency devaluations, and a "flight to quality" by international investors, is pushing U.S. interest rates lower. Stable or possibly declining interest rates would provide a boost to the homebuilding recovery that is just now getting underway in California.

This forecast anticipates that the situation in Asia will have some dampening effect on both the U.S. and California economic growth, primarily through a 50-percent increase in the nation's trade deficit—which will subtract somewhat from economic output in 1998. Even though the pace of expansion may moderate slightly in 1998, California's economy should continue to see robust growth over the next two years:

Nonfarm employment is expected to increase 2.8 percent or 365,000 jobs in 1998, following a 3.1-percent increase last year. In 1999, job growth is projected at 2.3 percent.

The State's unemployment rate will continue to decline. From last year's 6.3 percent average, the jobless statistic is expected to drop to 5.6 percent this year and 5.4 percent in 1999.

Personal income, which posted an exceptionally strong 7.2-percent rise in 1997, is forecast to increase 6.3 percent this year and 6.0 percent in 1999.

A recovery in homebuilding is now taking hold, joining strong gains in nonresidential construction, which was up almost 28 percent in 1997. With housing permits having reached a seven-year high at an annual rate of 137,000 in October 1997, the 1998 forecast of 130,000 units may be too low, especially if interest rates remain near current levels of 7 to 7½ percent for a fixed-rate mortgage.



# REVENUE ESTIMATES

California's solid economic performance over the last year led to healthy revenue growth. General Fund collections grew by over 6 percent in fiscal year 1996-97 to reach \$49.2 billion—an increase of \$2.9 billion from the prior year's level. Revenue for the 1997-98 and 1998-99 fiscal years is expected to reach \$52.9 billion and \$55.4 billion, respectively. This represents an annual growth of \$3.7 billion (7.5 percent) for 1997-98 and \$2.5 billion (4.7 percent) for 1998-99. Given the

- enactment of significant tax reduction measures, as well as other changes to the revenue base, this growth is all the more impressive.
- In October of 1997, the Governor signed a package of bills that provided meaningful tax relief to California families, as well as simplifying tax preparation, by more closely conforming state law with federal tax law. Provisions of the tax relief package that was enacted are shown in Figure REV-1:

**FIGURE REV-1**

## 1997-98 Tax Relief Package Summary of Fiscal Impact (Dollars in Millions)

Bill/Chapter Numbers	Description	Fiscal Impact		
		1997-98	1998-99	1999-2000
SB 5/Chapter 610	Conformed to certain federal rules on Subchapter-S corporations	-\$18	-\$21	-\$22
	Conformed to federal capital gains rules on home sales for 5/7/97 through 6/30/98	-\$25	-\$45	\$0
	Increased Subchapter-S corporation tax rate	\$18	\$21	\$22
	<b>Total SB 5</b>	<b>-\$25</b>	<b>-\$45</b>	<b>\$0</b>
SB 455/Chapter 611	Conformed to selective federal tax law changes enacted between 1992 and 1997	-\$98	-\$5	-\$29
SB 1233/Chapter 612	Conformed to federal capital gains rules on home sales beginning 7/1/98	\$0	-\$65	-\$70
	Conformed to new federal Individual Retirement Account rules	-\$4	-\$14	-\$31
	Increased dependent exemption credit	-\$15	-\$295	-\$780
	Eliminated Sub-S corporation tax rate increase	-\$18	-\$21	-\$22
	Increased and indexed AMT exemptions	-\$8	-\$81	-\$85
	<b>Total SB 1233</b>	<b>-\$45</b>	<b>-\$476</b>	<b>-\$988</b>
AB 366/Chapter 615	Extended the sales tax exemption for bunker fuel	-\$10	-\$20	-\$20
AB 1042/Chapter 613	Conformed to 1996 federal research tax credit provisions	-\$10	-\$46	-\$48
AB 1217/Chapter 602	Required Trade and Commerce Agency to designate one targeted tax area	-\$1	-\$1	-\$1
<b>Total Tax Relief Package</b>		<b>-\$189</b>	<b>-\$593</b>	<b>-\$1,086</b>

In addition to the tax package, funding for trial courts was revised by Chapter 850, Statutes of 1997. Beginning January 1, 1998, revenues from fines and penalties that previously were deposited in the General Fund will instead be deposited in the Trial Court Trust Fund as part of the counties' contribution to trial court funding. This will reduce General Fund revenues in 1997-98 by \$158 million and in 1998-99 by \$315 million.

The Budget assumes that federal authorization for states to establish an Internal Revenue Service refund offset program will be enacted, and includes \$85 million per year beginning with the 1998-99 fiscal year attributable to this program. In addition, enactment of legislation is assumed which would repeal the eight-percent license fee levied on payments received by racing associations from out-of-state simulcast facilities and redirect that revenue to the horse racing industry.

Figure REV-2 provides a summary of the forecast and preliminary collections in 1996-97.

Overall, General Fund revenues and transfers represent nearly 80 percent of total revenues. The remaining 20 percent are special funds dedicated to specific programs. The three largest revenue sources (personal income, sales, and bank and corporation) account for about 75 percent of total revenues.

## PERSONAL INCOME TAX - \$27,640,000,000

Overall, personal income tax revenues are expected to increase by 11.6 percent for 1997-98 and 6.4 percent for 1998-99. The estimate includes the impact of anticipated taxpayer behavior changes due to the enactment of the Federal Taxpayer Relief Act of 1997, as well as the revenue reduction due to the State's tax relief package that was enacted in October 1997.

The California personal income tax, which contributes approximately 50 percent of all General Fund revenues, is closely modeled after the federal income tax law. It is imposed on net taxable income—that is, gross income less exclusions and deductions. The tax is progressive with rates ranging from 1 to 9.3 percent. Personal, dependent, and other credits are allowed against the gross tax liability.

In addition, taxpayers may be subject to an alternative minimum tax (AMT), which is much like the federal AMT. This feature is designed to ensure that excessive use of tax preferences does not reduce taxpayers' liabilities below a minimum level. Effective January 1, 1996, the AMT is equal to seven percent of the taxpayer's alternative minimum taxable income that exceeds an exemption amount.

The personal income tax is adjusted annually by the change in the Consumer Price Index to prevent taxpayers from being pushed into higher tax brackets without a real increase in income.

The difficulty of forecasting personal income tax receipts is enhanced by the progressive nature of the tax. One dollar of income on a high-income tax return can generate nine times the revenue from a dollar on a low-income return. In addition, very high-income taxpayers usually have considerable discretion over the realization of income and the timing of deductions. Thus, substantial changes in the portfolios or tax planning of relatively few taxpayers can have a dramatic impact on state revenues. In 1995, for

FIGURE REV-2

### General Fund Revenue (Dollars in Millions)

	1996-97 Preliminary	1997-98 Forecast	1998-99 Forecast
Personal Income Tax	\$23,273	\$25,980	\$27,640
Sales and Use Tax	16,566	17,545	18,290
Bank and Corporation Tax	5,787	5,835	6,175
All other	3,594	3,530	3,278
<b>Totals, revenues and trans</b>	<b>\$49,220</b>	<b>\$52,890</b>	<b>\$55,383</b>
Annual percent change		7.46%	4.71%

example, the top 6 percent of state taxpayers—those with adjusted gross incomes of over \$100,000—paid almost 60 percent of the personal income tax. At the same time, lower income taxpayers, those with adjusted gross incomes of less than \$20,000, paid only 1.1 percent of the personal income tax in 1995 yet represented 42.7 percent of all California taxpayers.

The progressivity of California's tax system is demonstrated in Figure REV-3, which displays the percent of total returns and tax paid by adjusted gross income class. These statistics do not take into account the number of residents who were not required to file tax returns because their adjusted gross income was below the threshold amount of \$8,000 (single) or \$16,000 (married) for 1995.

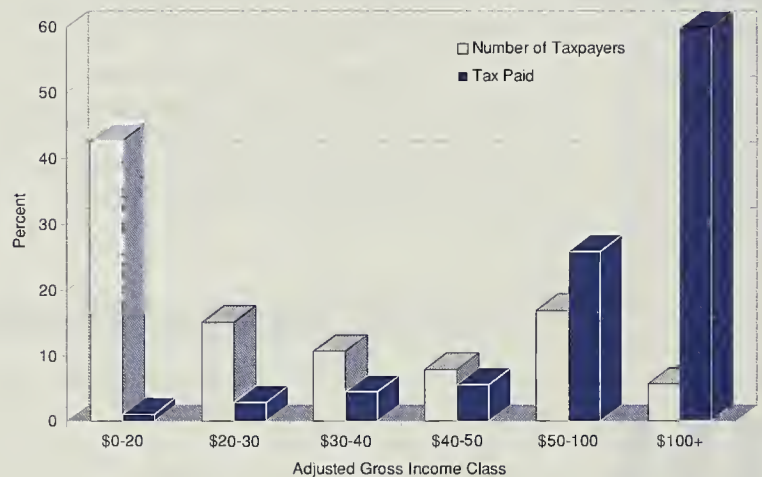
The volatility of capital gains also complicates personal income tax revenue forecasting. Not only are stock and real estate market gains inherently difficult to predict, but holders of capital assets are predominantly very high-income taxpayers, subject to the maximum tax rate, who can time the realization of gains and the payment of tax to their advantage.

In line with California's economic expansion, personal income tax base revenues have grown strongly for the last two years. Absent law changes, personal income tax revenues would have jumped 15 percent in 1995-96 and another 15 percent in 1996-97. These underlying revenue gains should continue to be healthy through the forecast period due to a strong stock market and vigorous economic expansion. Growth is therefore expected to be up over 10 percent in 1997-98 and almost 8 percent in 1998-99.

Preliminary data for 1996 indicate that capital gains increased approximately 60 percent from the 1995 tax year. With continued strong growth in the securities markets last year, realizations are expected to climb an additional 8 percent in 1997 from the extraordinary 1996 level, and remain at that level in 1998.

FIGURE REV-3

**Percent of Total California Taxpayers and State Tax Paid by Adjusted Gross Income Class, 1995 Data**  
(Dollars in Thousands)



The enactment of the Federal Taxpayer Relief Act of 1997 is expected to result in changes in taxpayer behavior that will generate additional state revenue, adding \$480 million to personal income tax receipts in 1997-98 and \$560 million in 1998-99. Most of this additional revenue is attributable to increased capital gains realizations due to the reduction in the federal tax rate on gains.

The estimate assumes that legislation will be adopted at the federal level providing California with the authority to establish an Internal Revenue Service (IRS) offset program. Under this program, the IRS would withhold federal tax refunds to satisfy legally enforceable, past due state tax obligations. This is expected to augment personal income tax revenues by \$80 million annually beginning with the 1998-99 fiscal year.



Forecast revenues compared with preliminary collections in 1996-97 are:

(Dollars in Millions)

1996-97 (Preliminary)	\$23,273
1997-98 (Forecast)	\$25,980
1998-99 (Forecast)	\$27,640

## SALES TAX - \$18,290,000,000

The sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and

- leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, electricity, and gas delivered through mains, thereby making the tax more progressive than it would be otherwise. Additional exemptions provide targeted tax relief for a variety of sales ranging from custom computer programs to returnable containers.

- A summary of the sales and use tax rates currently imposed at the state and local levels is contained in Figure REV-4. Combined

FIGURE REV-4

### State and Local Sales and Use Tax Rates

#### State Rates

General Fund	5.00%	Pursuant to Chapter 117, Statutes of 1991, this rate may be temporarily reduced by 0.25% if certain requirements regarding General Fund reserves are met. The temporary rate reduction could be reinstated if General Fund reserves were to fall below the statutory minimum for their retention.
Local Revenue Fund	0.50%	Dedicated to local governments to fund health and welfare programs transferred to counties as part of state-local realignment.

#### Local Uniform Rates

Bradley-Burns	1.00%	Imposed by city and county ordinance for general purpose use. <sup>1</sup>
Transportation Rate	0.25%	Dedicated for county transportation purposes.
Local Public Safety Fund	0.50%	Dedicated to counties for public safety purposes. This rate was imposed temporarily by statute in 1993 and made permanent by the voters later that year through passage of Proposition 172.

#### Local Add-on Rates

Transactions and Use Taxes <sup>2</sup>	1.50%	May be levied in 0.25% increments up to a combined maximum of 1.50% in any county. <sup>3</sup> Any ordinance authorizing a transactions and use tax requires approval by the county Board of Supervisors or special purpose authority created by the county Board of Supervisors and the county voters.
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<sup>1</sup> The city tax constitutes a credit against the county tax. The combined rate is never more than 1% in any area.

<sup>2</sup> These locally-imposed taxes are collected by the state for each local jurisdiction and are not included in the State's revenue totals.

<sup>3</sup> The three exceptions to the 1.5% maximum include San Mateo County and San Francisco City and County, which may exceed the limit by 0.50% and 0.25%, respectively, and San Diego County, which is subject to a 1% maximum. Stanislaus and San Joaquin Counties

FIGURE REV-5

### Combined State and Local Sales and Use Tax Rates by County

(Rates in Effect on April 1, 1997)

County	Tax Rate	County	Tax Rate	County	Tax Rate
Alameda .....	8.25%	Madera .....	7.75%	San Joaquin .....	7.75%
Alpine .....	7.25%	Marin .....	7.25%	San Luis Obispo .....	7.25%
Amador .....	7.25%	Mariposa .....	7.25%	San Mateo .....	8.25%
Butte .....	7.25%	Mendocino .....	7.25%	Santa Barbara .....	7.75%
Calaveras .....	7.25%	Merced .....	7.25%	Santa Clara .....	8.25%
Colusa .....	7.25%	Modoc .....	7.25%	Santa Cruz .....	8.00%
Contra Costa .....	8.25%	Mono .....	7.25%	Shasta .....	7.25%
Del Norte .....	7.75%	Monterey .....	7.25%	Sierra .....	7.25%
El Dorado .....	7.25%	Napa .....	7.25%	Siskiyou .....	7.25%
Fresno .....	7.75%	Nevada .....	7.25%	Solano .....	7.25%
Glenn .....	7.25%	Orange .....	7.75%	Sonoma .....	7.50%
Humboldt .....	7.25%	Placer .....	7.25%	Stanislaus .....	7.375%
Imperial <sup>1/</sup> .....	7.75%	Plumas .....	7.25%	Sutter .....	7.25%
Inyo .....	7.75%	Riverside .....	7.75%	Tehama .....	7.25%
Kern .....	7.25%	Sacramento .....	7.75%	Trinity .....	7.25%
Kings .....	7.25%	San Benito .....	8.25%	Tulare .....	7.75%
Lake <sup>2/</sup> .....	7.25%	San Bernardino .....	7.75%	Tuolumne .....	7.25%
Lassen .....	7.25%	San Diego .....	7.75%	Ventura .....	7.25%
Los Angeles .....	8.25%	San Francisco .....	8.50%	Yolo .....	7.25%
				Yuba .....	7.25%

<sup>1/</sup> 8.25% for sales in the City of Calexico (Calexico Heffernan Memorial Hospital District).<sup>2/</sup> 7.75% for sales in the City of Clearlake (City of Clearlake Public Safety Transactions and Use Tax).

FIGURE REV-6

### Taxable Sales Growth in California

	1996 Actual	1997 Forecast	1998 Forecast	1999 Forecast
Transportation	7.8%	3.3%	2.4%	3.6%
Fuel <sup>1/</sup>	10.9%	2.1%	2.3%	1.3%
Building Materials <sup>2/</sup>	5.0%	12.1%	8.1%	7.0%
Manufacturing and Services <sup>3/</sup>	9.0%	5.1%	4.8%	4.4%
All other Retail Sales	5.1%	6.2%	5.0%	4.6%
<b>Total Taxable Sales</b>	<b>6.7%</b>	<b>5.9%</b>	<b>4.8%</b>	<b>4.3%</b>

<sup>1/</sup> Strong growth in 1996 reflects a one-time spike in gas prices during the second and third quarters. Fuel sales show little growth during the forecast period due to the stabilization of prices at a lower level.<sup>2/</sup> Growth throughout the forecast period reflects a rebounding of California housing starts after several years of sluggish growth.<sup>3/</sup> Growth in manufacturing and services sales during 1996 includes the effects of an exceptionally strong Silicon Valley economy.

state and local tax rates currently imposed in each county are summarized in Figure REV-5.

Taxable sales in 1996 grew 6.7 percent over 1995, following year-over-year increases of 5.1 percent and 5.2 percent during 1994 and 1995, respectively. Preliminary data received for the first three quarters of 1997 suggest that the stable revenue growth seen over the prior three years is continuing—sales for 1997 are expected to be up by 5.9 percent over 1996. Revenue growth is expected to moderate somewhat during 1998 and 1999 to 4.8 percent and 4.3 percent, respectively. Growth in taxable sales is anticipated to be broadly based across many sectors of the economy throughout the forecast period. However, the largest percentage increases are expected to be seen in the building, services, specialty goods, apparel, and eating and drinking sales components.

## REVENUE ESTIMATES

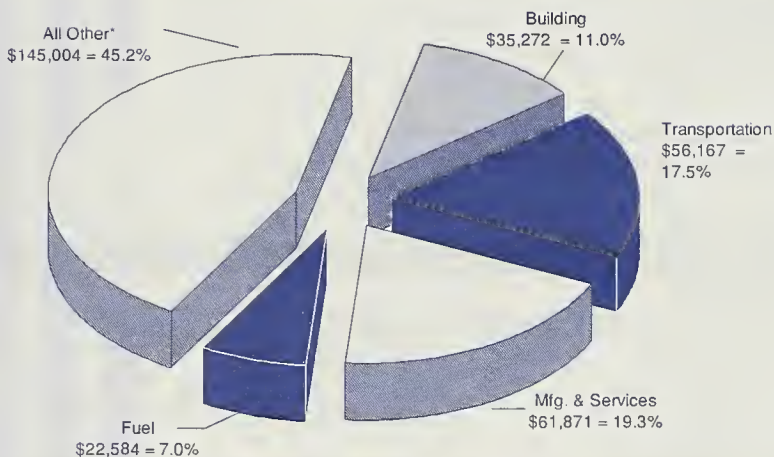
A summary of the forecast for taxable sales growth is presented in Figure REV-6. A breakdown of sales by major component is presented in Figure REV-7.

The sales and use tax revenue forecast is prepared by relating taxable sales by type of goods purchased to economic factors such as personal income, employment, housing starts, new car sales, and inflation. The forecast is then adjusted for significant legislation and other factors that are expected to affect sales tax revenues.

Some of the significant adjustments applied to the forecast include the following:

**FIGURE REV-7**

**1996 Taxable Sales by Major Components**  
(Dollars in Billions)



\* Includes apparel, general merchandise, specialty goods, eating and drinking establishments, and agricultural goods.

**FIGURE REV-8**

**Sales Tax Revenue**  
(Dollars in Thousands)

	1996-97 Preliminary	1997-98 Forecast	1998-99 Forecast
General Fund	\$16,566,295	\$17,545,000	\$18,290,000
Sales and Use Tax--Realignment	1,690,477	1,784,100	1,864,600
Transportation, Planning, and Development Account	177,655	190,501	201,103
<b>Total</b>	<b>\$18,434,427</b>	<b>\$19,519,601</b>	<b>\$20,355,703</b>

In June 1990, the California Court of Appeals ruled that direct overhead items purchased under U.S. government cost reimbursement contracts are not taxable. California has resolved all suits related to this issue and will continue to issue refunds through the year 2000. The forecast assumes that the General Fund's share of these refunds will equal \$46 million in both 1997-98 and 1998-99.

Chapter 615, Statutes of 1997 extended the sunset date for expiration of the bunker fuel sales tax exemption from January 1, 1998 to January 1, 2003. Therefore, \$20 million in annual revenue that the State expected to receive under prior law will be foregone under the provisions of Chapter 615.

The forecast also assumes that federal authorization for states to establish an offset program will be approved. This is expected to augment state sales tax revenues by \$5 million annually beginning with the 1998-99 fiscal year.

Current law specifies that certain state revenues from the sales tax on gasoline and diesel fuel sales be transferred to the Transportation Planning and Development Account. The combined transfer to this Account during 1997-98 is estimated to be \$191 million, increasing to \$201 million during 1998-99.

Revenues from state-imposed sales tax rates are delineated in Figure REV-8. General Fund sales tax revenues compared with preliminary collections for 1996-97 are as follows:

(Dollars in Millions)

1996-97 (Preliminary)	\$16,566
1997-98 (Forecast)	\$17,545
1998-99 (Forecast)	\$18,290



## BANK & CORPORATION TAX - \$6,175,000,000

Bank and corporation tax revenues are derived from four taxes:

The franchise tax and the corporate income tax are levied at an 8.84-percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that do not do business in the State but derive income from California sources. An example of this type of out-of-state company would be a corporation that maintains a stock of goods in California from which deliveries are made to fill orders taken by independent dealers or brokers. Corporations that qualify for state Subchapter S status are taxed at a 1.5 percent rate rather than the 8.84 percent rate imposed on other corporations, with the firm's profits and losses flowing through to their shareholders and subject to tax at the appropriate personal income tax rate.

Banks and other financial corporations pay an additional tax (i.e., "Bank Tax") on their net income. This tax is in lieu of personal property and business license taxes. The current rate for this tax is two percent. The bank tax is in addition to the franchise tax.

The alternative minimum tax is similar to that in federal law. This tax is imposed at a rate of 6.65 percent. Prior to the 1988 tax year, California did not have an alternative minimum tax but imposed a tax on preference income (i.e., income eligible for special treatment under the regular tax). The alternative minimum tax and the preference tax were designed to ensure that high income taxpayers could not make excessive use of deductions and exemptions to avoid paying some minimum level of tax.

A minimum franchise tax of \$800 is imposed on corporations subject to the franchise tax but not on those subject to the corporate income tax. New corporations with gross

receipts under \$1 million pay a reduced minimum tax of \$600 for their first year of incorporation.

In forecasting the bank and corporation tax, the relationship of California profits to the national corporate profits is important. However, the relationship is not precise because business activity in California may differ from that of the nation. Also, state tax law defines profits differently than standard business accounting, and national profits, as represented by the economic forecast, are the net of all gains and losses whereas only gains are taxed. Although national profits are considered, the preparation of the forecast involves analysis of the trend in California noncorporate business income and employment, and recent actual cash experience. (Noncorporate business income is available for California, whereas corporate profit data are not.)

The forecast incorporates the latest economic outlook and the impact of legislation enacted in 1997, including the tax relief package. In addition, an analysis of cash flow patterns was a key factor in preparing this estimate. Prior to 1996, corporations paid more of their estimated payments in September and December than in April and June. Beginning in 1996, a reversal in this pattern was observed. This forecast assumes that the 1996 pattern change represents an ongoing shift in the timing of estimated payments and the cash flow factors have been adjusted accordingly. Thus, much of the prepayment weakness in early 1997-98 is assumed to be attributable to a shift in payment patterns rather than a reflection of a slower economy. Consistent with the economic outlook, taxable profits are estimated to grow at a moderate rate through the forecast period.

Preliminary data indicate that while the level of 1996 income year profits was up nine percent from 1995, the tax liability was down by two percent. Credit usage (largely the R&D credit and the Manufacturers' Investment Credit) and S-corporation activity, as more corporations converted to take advantage of the lower tax rate and the income

pass through, are considered to be the primary reasons for the diversion between profit and liability growth. S-corporations accounted for 21 percent of total taxable profits in 1996. For comparison purposes, their share was 15.4 percent in 1990.

Significant legislation enacted in 1997 included the following:

- ☞ The tax relief package which (1) substantially conformed to the 1996 federal provisions that liberalized Subchapter S rules and provided an alternative incremental credit method for calculating the Research and Development credit (Chapters 610, 612 and 613); (2) conformed to various federal provisions including several relating to pension plans (Chapter 611); (3) created a Targeted Tax Area development zone program (Chapter 602); and
- ☞ Establishment of a Manufacturing Enhancement Areas development zone program (Chapter 609).

- Forecast revenues compared to preliminary collections in 1996-97 are:

## (Dollars in Millions)

1996-97 (Preliminary)	\$5,787
1997-98 (Forecast)	\$5,835
1998-99 (Forecast)	\$6,175

## INSURANCE TAX - \$1,281,000,000

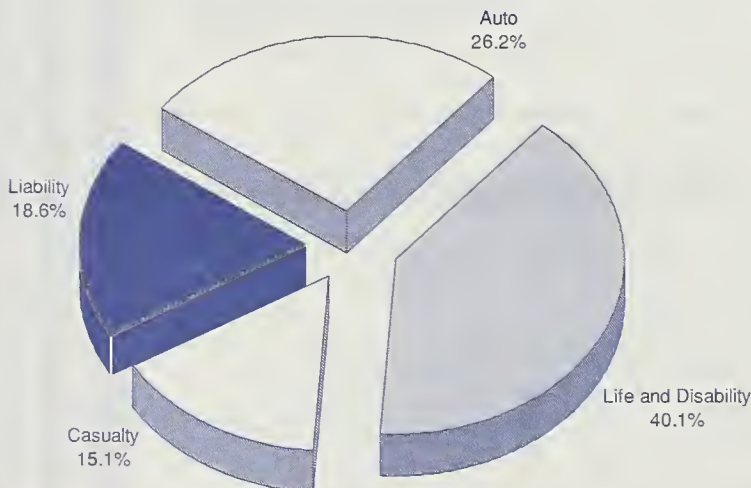
- The majority of insurance written in California is subject to a 2.35-percent gross premiums tax. This premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. The basis of the tax is the amount of "gross premiums" received, less return premiums, upon business done in the State, with some exceptions. Insurers transacting title insurance are taxed upon all income received in this State, with the exceptions of interest, dividends, rents from real property, profits from the sale or disposition of investments, and income arising out of investments. Ocean marine insurers are taxed upon underwriting profits at a 5-percent rate. Other exceptions to the 2.35-percent rate include certain pension and profit-sharing plans, including qualified annuities, which are taxed at the lesser rate of 0.5 percent; surplus lines and nonadmitted insurance are taxed at 3 percent.

- An annual survey conducted by the Department of Finance is used to project insurance premium growth. Responses are obtained from about 300 insurance companies accounting for over two-thirds of the insurance written in California. Figure REV-9 illustrates the proportion of premiums by insurance type from which the revenue is derived. For 1996, \$54.2 billion in taxable premiums was reported which is an increase of 3.3 percent over 1995. The most recent survey indicates that taxable premiums will grow by 3.7 percent in 1997 and 5.6 percent in 1998.

- Chapter 967, Statutes of 1996, established the California Earthquake Authority (CEA) to provide earthquake insurance to residential homeowners, mobile homeowners, and renters. Companies that participate in the

FIGURE REV-9

### Insurance Premiums by Category





program offer basic earthquake coverage through the CEA which is exempt from the gross premiums tax. Thus, taxable premiums written for earthquake insurance are expected to decline substantially resulting in a revenue loss of approximately \$16 million over the two-year period, 1997-98 and 1998-99. Forecast revenues for 1997-98 and 1998-99 compared with preliminary collections in 1996-97 are:

## (Dollars in Millions)

1996-97 (Preliminary)	\$1,200
1997-98 (Forecast)	1,224
1998-99 (Forecast)	1,281

## ESTATE, INHERITANCE, GIFT TAXES - \$762,000,000

Proposition 6, an initiative measure adopted by the voters in June 1982, repealed the inheritance and gift taxes and imposed an estate tax designed to pick up the maximum credit allowed against the federal estate tax, otherwise known as the "pick-up tax." The

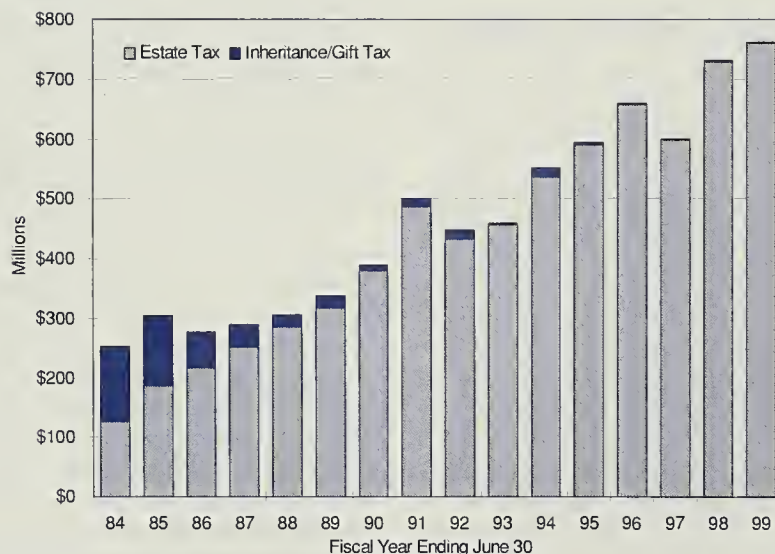
- pick-up tax is computed on the basis of the federal "taxable estate" and tax rates range from 0.8 percent to 16 percent. This tax does not increase the liability of the estate due to the fact that it would otherwise be paid to the federal government. The date of death, or the date a gift is made, determines whether pre-1982 or current laws apply. As a result of Proposition 6, taxes from this source have dropped significantly.

- For state tax purposes, the former inheritance and gift taxes apply to deaths and gifts occurring prior to June 1982, whereas transfers attributable to deaths on or after that date are only subject to the federal credit. Figure REV-10 displays this trend since 1984.

- The forecast reflects the enactment of the Federal Taxpayer Relief Act of 1997. That measure increased the unified credit allowed against the estate tax from \$600,000 to \$1 million over a nine-year period. When fully implemented, this law change is expected to reduce state estate tax revenue by 24 percent.

FIGURE REV-10

## Estate, Inheritance, and Gift Tax Revenues



1997-98 and 1998-99 are estimated.



## REVENUE ESTIMATES

Forecast revenues compared with preliminary collections for 1996-97 are:

(Dollars in Millions)

1996-97 (Preliminary)	\$599
1997-98 (Forecast)	\$731
1998-99 (Forecast)	\$762

### ALCOHOLIC BEVERAGE TAXES - \$267,600,000

Taxes on alcoholic beverages are levied on the sale of beer, wine, and distilled spirits. The rates vary with the type of alcoholic beverage. The tax rate per gallon for beer, dry wine, and sweet wine is \$0.20. The tax

rates per gallon for sparkling wine and distilled spirits are \$0.30 and \$3.30, respectively.

Alcoholic beverage revenue estimates are based on projections of total and per capita consumption for each type of beverage. Total consumption of all alcoholic beverages is expected to decline slightly, with increases in the drinking age population expected to slow the magnitude of the overall decline.

Forecast revenues compared with preliminary collections for 1996-97 are shown in Figure REV-11. Total alcoholic beverage tax revenues from 1987-88 through 1998-99 are illustrated in Figure REV-12.

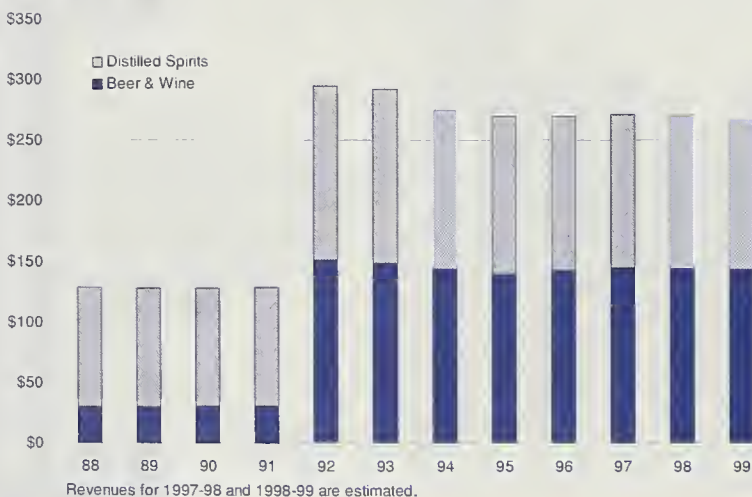
FIGURE REV-11

#### Beer, Wine, and Distilled Spirits Revenue (Dollars in Millions)

	1996-97 Preliminary	1997-98 Forecast	1998-99 Forecast
Beer and Wine	\$144.8	\$144.5	\$143.9
Distilled Spirits	126.2	125.0	123.7
<b>Total</b>	<b>\$271.0</b>	<b>\$269.5</b>	<b>\$267.6</b>

FIGURE REV-12

#### Alcoholic Beverage Tax Revenue (Dollars in Millions)



### CIGARETTE TAX - \$162,000,000

Since January 1989, the excise tax imposed on distributors selling cigarettes in California has been 35 cents per package as a result of voter approval of Proposition 99. At the same time, an excise tax on cigars, chewing tobacco, pipe tobacco, and snuff was implemented at a rate "equivalent" to the tax on cigarettes. The cigarette tax was increased by 2 cents per package effective January 1, 1994, with passage of the Breast Cancer Act (Chapter 660, Statutes of 1993). Twenty-five cents of the tax per package of cigarettes, and the equivalent rates levied on non-cigarette tobacco products, are allocated to a special fund for distribution as determined by Proposition 99. Ten cents of the tax per package is allocated to the State's General Fund, with the remaining two cents deposited into the Breast Cancer Fund.

Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. The cumulative effect of product price increases, the increasingly restrictive environment for smokers, and state anti-smoking campaigns funded by Proposition 99 revenues have significantly impacted cigarette consumption. Per capita consumption had been declining at an average rate of three percent annually from 1983-84 through 1987-88, and then decreased rapidly with the onset of Proposition 99.

During 1989-90, per capita consumption was 123 packs compared with 86 packs in 1996-97. This figure equates to a 30-percent decrease over seven years. The estimated increase in the smoking-age population will somewhat offset the declining per capita consumption in future years, resulting in declines in total consumption of approximately 3.5 percent in both 1997-98 and 1998-99.

Wholesale price data provide the basis for the revenue estimate for other tobacco products, which includes items such as cigars, chewing tobacco, and snuff. Cigars have gained in popularity recently; however, reports indicate that chewing tobacco use may be dropping off. Based on recent consumption patterns, it is estimated that other tobacco products will increase by approximately four percent in 1997-98 and remain flat in 1998-99.

Per capita consumption of cigarettes, in packs, from 1984-85 through 1998-99, is illustrated in Figure REV-13. Total tobacco tax revenue estimates are shown in Figure REV-14.

## HORSE RACING REVENUE - \$42,296,000

Horse racing revenue comes primarily from license fees imposed on amounts wagered by the public. The license fee revenue schedule is based upon many factors, including the amount wagered, the location of the track where the wager is placed, the type of horse racing, the type of wager, and whether or not the wager is made on-track or at a satellite facility. Other revenue sources include breakage (the odd cents not paid to winning ticket holders), unclaimed pari-mutuel tickets, occupational license fees, fines, and penalties.

During recent years, the availability of satellite wagering has resulted in a shift from on-track to off-track wagering. At present, the public may view horse races by attending live meets or watch and wager at off-track facilities that receive races televised live via

FIGURE REV-13

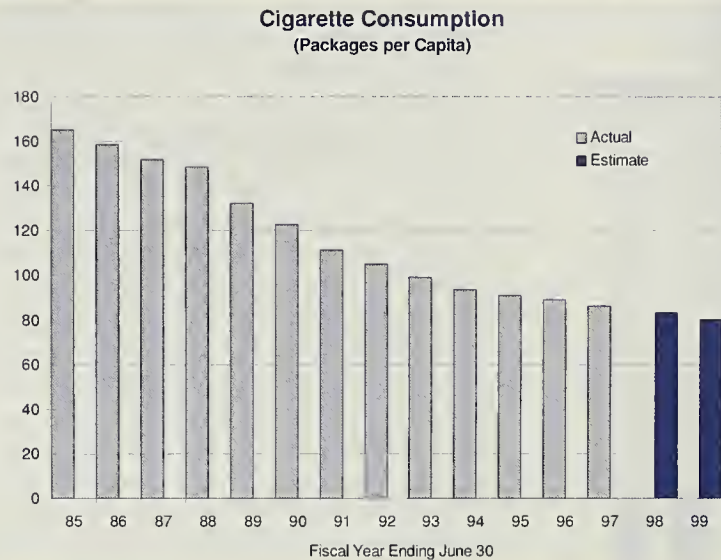


FIGURE REV-14

## Tobacco Tax Revenue

(Dollars in Millions)

	1996-97 Preliminary	1997-98 Forecast	1998-99 Forecast
General Fund	\$168.8	\$165.0	\$162.0
Special Fund	496.7	485.8	478.5
<b>Total</b>	<b>\$665.5</b>	<b>\$650.8</b>	<b>\$640.5</b>

satellite. California also exports its signal to several out-of-state simulcast facilities where out-of-state patrons can place bets on California horse races. All three types of bets (on-track, intrastate off-track, and interstate off-track) generate license fees for the State.

State horse racing revenues have declined significantly during the past ten years and are expected to continue their decline through 1998-99. Between 1986-87 and 1996-97, General Fund revenues shrunk by over 50 percent, from \$112 million to \$54 million. The steepest year-over-year decline during that time period occurred during 1996-97 when General Fund revenues declined by 20 percent from the prior year.



The steep declines seen during 1996-97 and anticipated during 1997-98 reflect the interaction of the following factors: 1) shifts from on-track to off-track wagering (the license fees for off-track wagers are lower than those for on-track wagers); 2) passage of legislation (Chapter 1121, Statutes of 1996) that reduced license fees on thoroughbred and fair racing by 0.5 percent each on January 1, 1997; and 3) litigation involving license fees collected on satellite wagering at Indian-operated simulcast facilities. However, the decline in General Fund revenues is expected to moderate during 1998-99 because the revenue losses resulting from Chapter 1121 will be fully phased in by the end of 1997-98.

The forecast for 1998-99 assumes passage of legislation that will eliminate the license fees levied on out-of-state wagers and will result in an annual revenue loss of \$3 million beginning on January 1, 1999.

The forecast projects year-over-year declines in General Fund horse racing revenues of 18 percent during 1997-98 and 4 percent during 1998-99. Figure REV-15 provides information on the distribution of receipts from horse racing.

## SPECIAL FUND REVENUE

The California Constitution, codes, and statutes specify the uses of certain revenue. Such receipts are accounted for in various

special funds. In general, special fund revenues comprise three categories of income:

- 🏛 Receipts from tax levies that are allocated to specified functions such as motor vehicle taxes and fees.
- 🏛 Charges for special services to specific functions including such items as business and professional license fees.
- 🏛 Rental royalties and other receipts designated for particular purposes—for example, oil, and gas royalties.

Motor vehicle-related taxes and fees account for approximately 60 percent of all special fund revenue. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. During 1998-99, \$8.7 billion will be derived from the ownership or operation of motor vehicles. Approximately \$4.7 billion of this revenue will be returned to local governments. The remainder will be available for various state programs related to transportation and services to vehicle owners.

Chapter 85, Statutes of 1991, created a new special fund for the purpose of local program realignment. Revenue attributable to a 0.5-percent sales tax rate is transferred to this Local Revenue Fund. During 1996-97, local governments received \$1.7 billion from this revenue source. In addition to this revenue, approximately 24 percent of all vehicle license fees are transferred to this fund.

Funds from the Proposition 99 tobacco-related taxes are allocated to a special fund for distribution to a variety of accounts as determined by the measure. Receipts for this fund are estimated at \$452.9 million in 1997-98 and \$446 million in 1998-99. An additional \$32.9 million for breast cancer research will be generated in 1997-98 by the 2 cents-per-pack cigarette tax enacted in 1993, while \$32.5 million will be generated in 1998-99 for this purpose. The original 10 cents-per-pack tax on cigarettes is allocated to the General Fund.

FIGURE REV-15

### Horse Racing Revenue (Dollars in Thousands)

	1996-97 Preliminary	1997-98 Forecast	1998-99 Forecast
General Fund	\$53,920	\$44,238	\$42,296
Fair & Exposition Fund	25,109	23,564	23,328
Satellite Wagering Account	12,587	12,442	12,317
Wildlife Restoration Fund	750	750	750
<b>Total</b>	<b>\$92,366</b>	<b>\$80,994</b>	<b>\$78,691</b>



## MOTOR VEHICLE FEES - \$5,658,191,000

Motor vehicle fees consist of vehicle license, registration, weight, driver's license fees, and various other charges related to vehicle operation.

The vehicle license fee (VLF) is imposed for the privilege of operating a vehicle on the public highways in California. This tax is imposed in lieu of a local personal property tax on automobiles and is administered by the Department of Motor Vehicles (DMV). All of the revenues from this tax, other than administrative costs and fees on trailer coaches and mobilehomes, are constitutionally dedicated to local governments.

The VLF is calculated on the vehicle's "market value" which is the cost to the purchaser exclusive of sales tax adjusted by a depreciation schedule. For motor vehicles, the schedule is based on an 11-year depreciation period; an 18-year depreciation period is used for trailer coaches. A two-percent rate is applied to the depreciated value to determine the fee. Thus, revenue from this source is contingent on the number of vehicles in the State, the ages of those vehicles, and their most recent sales prices.

DMV administers the VLF for trailer coaches that are not installed on permanent foundations. Those which are installed on permanent foundations (mobilehomes) are subject to either local property taxes or the VLF. Generally, if the mobilehome was purchased new prior to July 1, 1980, it is subject to the VLF which, in this instance, is administered by the Department of Housing and Community Development rather than DMV. All other mobilehomes are subject to the local property tax. Chapter 699, Statutes of 1992, provided that all trailer coach license fees that are administered by the DMV be deposited in the General Fund. Beginning in 1994-95, all other trailer coach license fees are also deposited into the General Fund.

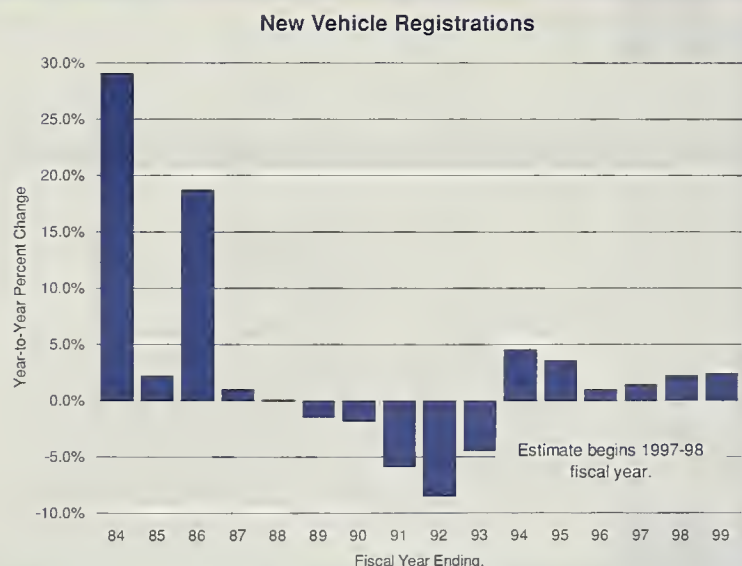
Allowing for scrappage and for vehicles entering and leaving the State, total fee-paid registrations (autos, trucks, trailers, and

motorcycles), including a proportional factor for multi-state vehicles, are estimated at 23,868,000 for 1997-98 and 23,895,000 for 1998-99. As can be seen in Figure REV-16, the forecast assumes that new vehicle registrations will experience moderate growth throughout the forecast period.

Effective August 1, 1991, Chapter 87, Statutes of 1991, revised the vehicle license fee depreciation schedule, imposed a 2.2-percent surcharge on those license fees for a period of one year, and required the DMV to reclassify used vehicles based upon their actual purchase price each time the ownership of the vehicle is transferred. All of the revenue from this base change is transferred to local governments for the purpose of funding program realignment. During 1997-98, it is estimated that local governments will realize \$906.3 million from this revenue source, increasing to \$951.2 million during 1998-99.

Vehicle registration fees are levied at a flat rate of \$30 (\$28 base registration fee and \$2 California Highway Patrol fee) on all motor vehicles including automobiles, trucks, trailers and motorcycles. Trucks and trailers are also subject to fees based on their

FIGURE REV-16



unladen vehicle weight. Proposition 111, approved by the voters in November 1990, increased the weight fees for vehicles with an unladen weight of more than 4,000 pounds by 40 percent effective August 1, 1990, with an additional 10 percent increase effective January 1, 1995.

The forecast incorporates the impact of recently enacted legislation, most notably Chapter 291, Statutes of 1997, which increased the base registration fee by \$1 effective November 1, 1997, and increased transfer fees over a three-year period. The revenue gain from this legislation is estimated to be \$24 million in 1997-98 of which \$16 million is attributed to the \$1 registration fee increase, and \$41 million in 1998-99 of which \$24 million is due to the registration fee increase.

Motor vehicle fees revenue is summarized in Figure REV-17.

**FIGURE REV-17**

## Motor Vehicle Fees Revenue (Dollars in Thousands)

	1996-97 Preliminary	1997-98 Forecast	1998-99 Forecast
Vehicle License Fees	\$2,709,755	\$2,838,570	\$2,979,825
Realignment	862,055	906,346	951,193
Registration, Weight and Other Fees	1,652,899	1,691,840	1,727,173
<b>Total</b>	<b>\$5,224,709</b>	<b>\$5,436,756</b>	<b>\$5,658,191</b>

## MOTOR VEHICLE FUEL TAXES - \$2,992,422,000

The motor vehicle fuel license tax (levied on gasoline), diesel fuel tax (levied on diesel), and the use fuel tax (levied on alternative fuels such as liquefied petroleum gas, natural gas, and alcohol fuel) provide the major sources of funds for maintaining, replacing, and constructing state highway and transportation facilities. Just over one-third of these revenues are apportioned to local jurisdictions for street and highway use.

- The motor vehicle fuel license tax (gas tax) is imposed on distributors at a rate of 18 cents per gallon. Fuels subject to the gas tax include gasoline and other flammable liquids sold for vehicular use on California public streets and highways.
- The Motor Vehicle Fuel License Tax Law also applies an excise tax of 2 cents per gallon on aircraft jet fuel sold at the retail level. Exempt from the aircraft jet fuel tax are sales to certified air common carriers, aircraft manufacturers and repairers, and the U.S. armed forces.
- Chapter 912, Statutes of 1994, established the Diesel Fuel Tax Law. Prior to the operative date of Chapter 912, diesel fuel had been taxed under the Use Fuel Tax Law. The diesel fuel tax is imposed on distributors at the terminal rack level and applies to diesel fuel and blended diesel fuel sold for use in propelling highway vehicles. Undyed diesel fuel, which is destined for highway use, is taxed at a rate of 18 cents per gallon. Dyed diesel fuel, which is destined for tax-exempt uses, is not taxed.
- The use fuel tax is levied on sales of kerosene, liquefied petroleum gas (LPG), liquid natural gas (LNG), compressed natural gas (CNG), and alcohol fuel (ethanol and methanol containing 15 percent or less gasoline and diesel fuel). These fuels remain untaxed until they are dispensed into a motor vehicle that is operated on California highways or is suitable for highway operation. Current use fuel tax rates are 18 cents per gallon for kerosene, 6 cents per gallon for LNG and LPG, 7 cents per cubic foot for CNG, and 9 cents per gallon for alcohol fuel. Liquefied petroleum gas users may also elect to pay a flat rate of tax based on vehicle weight in lieu of the 6 cent-per-gallon tax.
- The Mills-Hayes Act specifies that a fuel tax rate of one cent per gallon be levied on fuel used by local transit systems, school and community college districts, and certain common carriers. This excise tax is imposed in lieu of the other fuel taxes described above.



## FIGURE REV-18

### Motor Vehicle Fuel Tax Revenue (Dollars in Thousands)

	1996-97 Preliminary	1997-98 Forecast	1998-99 Forecast
Gasoline <sup>1/</sup>	\$2,434,731	\$2,506,214	\$2,568,528
Diesel	370,041	399,454	423,894
<b>Total</b>	<b>\$2,804,772</b>	<b>\$2,905,668</b>	<b>\$2,992,422</b>

<sup>1/</sup> Does not include jet fuel.

## FIGURE REV-19

### Summary of State Tax Collections (Excludes Departmental, Interest, and Miscellaneous Revenue)

	Per Capita Personal Income <sup>1/2/</sup>	State Tax Collections (Dollars in Millions)		Taxes per Capita <sup>1/</sup>		Taxes per \$100 of Personal Income <sup>3/</sup>	
		General		General		General	
		Fund	Total	Fund	Total	Fund	Total
1967-68	\$3,849	\$3,558	\$4,676	\$185.55	\$243.86	\$4.82	\$6.34
1968-69	4,165	3,963	5,173	203.94	266.21	4.90	6.39
1969-70	4,517	4,126	5,409	208.96	273.94	4.63	6.06
1970-71	4,778	4,290	5,598	214.08	279.36	4.48	5.85
1971-72	4,997	5,213	6,597	256.22	324.24	5.13	6.49
1972-73	5,402	5,758	7,231	279.72	351.28	5.18	6.50
1973-74	5,885	6,377	7,877	305.57	377.45	5.19	6.41
1974-75	6,480	8,043	9,572	379.85	452.06	5.86	6.98
1975-76	6,998	9,050	10,680	420.19	495.87	6.00	7.09
1976-77	7,712	10,781	12,525	491.48	570.98	6.37	7.40
1977-78	8,431	12,951	14,825	579.41	663.25	6.87	7.87
1978-79	9,460	14,188	16,201	621.30	709.45	6.57	7.50
1979-80	10,648	16,904	19,057	726.83	819.41	6.83	7.70
1980-81	11,840	17,808	20,000	748.80	840.97	6.32	7.10
1981-82	12,990	19,053	21,501	784.78	885.62	6.04	6.82
1982-83	13,564	19,567	22,359	788.83	901.39	5.82	6.65
1983-84	14,301	22,300	25,674	880.14	1,013.30	6.15	7.09
1984-85	15,628	25,515	29,039	988.34	1,124.85	6.32	7.20
1985-86	16,588	26,974	30,898	1,021.63	1,170.25	6.16	7.05
1986-87	17,371	31,331	35,368	1,158.18	1,307.41	6.67	7.53
1987-88	18,262	31,228	35,611	1,126.67	1,284.81	6.17	7.04
1988-89	19,336	35,647	40,613	1,255.49	1,430.39	6.49	7.40
1989-90	20,297	37,248	43,052	1,278.16	1,477.32	6.30	7.28
1990-91	21,382	36,828	43,556	1,229.90	1,454.58	5.75	6.80
1991-92	21,433	40,072	48,856	1,311.04	1,598.43	6.12	7.46
1992-93	22,035	39,197	48,230	1,256.80	1,546.43	5.70	7.02
1993-94	22,287	38,351	48,941	1,216.84	1,552.84	5.46	6.97
1994-95	22,712	41,099	50,648	1,292.83	1,593.21	5.69	7.01
1995-96	23,842	44,825	54,844	1,398.03	1,710.51	5.86	7.17
1996-97 <sup>1/</sup>	24,951	47,955	58,355	1,480.87	1,802.03	5.94	7.22
1997-98 <sup>2/</sup>	26,292	51,830	62,635	1,572.66	1,900.51	5.98	7.23
1998-99 <sup>2/</sup>	27,462	54,656	65,853	1,630.40	1,964.41	5.94	7.15

<sup>1/</sup> Per Capita computations are based on July 1 populations estimates, benchmarked to the 1990 Census.

<sup>2/</sup> Personal income data are on a calendar year basis (e.g., 1987 for 1987-88).

<sup>3/</sup> Taxes per \$100 personal income computed using calendar year personal income e.g. 1996 income related to 1996-97 tax collections.

<sup>1/</sup> Preliminary.

<sup>2/</sup> Estimated.

Gasoline consumption has remained fairly stable over time as conservation efforts have offset economically driven growth. Gasoline consumption rose less than 1 percent during 1996-97 (largely due to a price spike during the summer of 1996) and is estimated to increase by 3.7 percent in 1997-98 and 2.5 percent in 1998-99.

Because the majority of diesel fuel is consumed by the commercial trucking industry, its consumption is impacted most significantly by the general health of the economy. Diesel fuel consumption increased by 2.5 percent in 1996-97 and is expected to rise by 5.5 percent and 4.4 percent in 1997-98 and 1998-99, respectively.

The diesel fuel forecasts for 1997-98 and 1998-99 include the effects of Chapter 618, Statutes of 1997, which is expected to increase revenue flowing into the Transportation Tax Fund by \$6.8 million during 1997-98 and \$13.6 million during 1998-99. Chapter 618, which is intended to level the playing field between California and out-of-state truck stops, requires interstate truckers to pay an amount equivalent to the state sales tax on diesel fuel brought into California in their fuel tanks and used within the State. This chapter also allows interstate truckers to claim a credit on the sales tax they pay on diesel fuel purchased in-state but used outside the state. Because significantly more fuel is purchased out-of-state than in-state, the State is expecting to realize revenue from the law change.

Proposition 111, enacted in November 1990 to increase transportation funding, increased gasoline and diesel fuel tax rates by 5 cents per gallon each effective August 1, 1990. It also increased gas and diesel fuel tax rates by an additional 1 cent per gallon each January 1 thereafter until an 18 cent-per-gallon rate became effective January 1, 1994. The rates have remained constant since that time. Proposition 111 raised revenues of \$1.363 billion during 1996-97 and is expected to raise \$1.410 billion during 1997-98 and \$1.453 billion during 1998-99.

Motor vehicle fuel revenues are shown in Figure REV-18.



FIGURE REV-20

## Outline of State Tax System as of January 1, 1998

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
Alcoholic Beverage Excise Taxes:				
Beer	Gallon	\$0.20	Equalization <sup>1</sup>	General
Distilled Spirits	Gallon	\$3.30	Equalization	General
Dry Wine	Gallon	\$0.20	Equalization	General
Sweet Wine	Gallon	\$0.20	Equalization	General
Sparkling Wine	Gallon	\$0.30	Equalization	General
Hard Cider	Gallon	\$0.20	Equalization	General
Bank and Corporation:				
General Corporation	Net income	8.84% <sup>2</sup>	Franchise <sup>3</sup>	General
Bank and Financial Corp.	Net income	10.84%	Franchise	General
Alternative Minimum Tax	Alternative Taxable Income	6.65% <sup>2</sup>	Franchise	General
Tobacco:				
Cigarette	Package	\$0.37 <sup>4</sup>	Equalization	Cigarette Tax, Cigarette and Tobacco Products Surtax, and Breast Cancer Act
Other Tobacco Products	Wholesale price	29.37%	Equalization	Cigarette and Tobacco Products Surtax
Energy Resources Surcharge	Kilowatt hours	\$0.0002	Equalization	Energy Resources Surcharge Fund
Horse Racing License	Amount wagered	1.0-5.85%	Horse Racing Board	Fair & Expo <sup>5</sup> , Satellite Wagering <sup>6</sup> , Wildlife Restoration, and General
Estate	Taxable Federal estate	0.8-16%	Controller <sup>7</sup>	General
Insurance	Gross Premiums	2.35% <sup>8</sup>	Insurance Dept.	General
Liquor license fees	Type of license	Various	Alcoholic Beverage Control	General
Motor Vehicle:				
Vehicle License Fees	Market value	2.0%	Motor Vehicle Dept	Motor Vehicle License Fee and Local Revenue <sup>9</sup>
Fuel—Gasoline	Gallon	\$0.18	Equalization	Motor Vehicle Fuel <sup>10</sup>
Fuel—Diesel	Gallon	\$0.18	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	\$30.00	Motor Vehicle Dept	Motor Vehicle <sup>11</sup>
Weight Fees	Unladen weight	Various	Motor Vehicle Dept	State Highway <sup>12</sup>
Personal Income	Taxable income	1-9.3%	Franchise	General
Alternative Minimum Tax	Alternative Taxable Income	7.0%	Franchise	General
Private Railroad Car	Valuation	<sup>13</sup>	Equalization	General
Retail Sales and Use	Receipts from sales or lease of taxable items	5.50% <sup>14</sup>	Equalization	General and Local Revenue

Source: State of California, Department of Finance

<sup>1</sup> State Board of Equalization.

<sup>2</sup> Minimum tax \$800 per year or \$600 for new businesses with less than \$1 million in gross receipts.

<sup>3</sup> Franchise Tax Board.

<sup>4</sup> This tax is levied at the combined rate of 10 cents per pack of 20 cigarettes for the General Fund, 25 cents per pack for the Cigarette and Tobacco Products Surtax, and 2 cents per pack for the Breast Cancer Act. An equivalent tax is levied on other tobacco products.

<sup>5</sup> For support of county fairs and other activities.

<sup>6</sup> For construction of Satellite Wagering Facilities and health and safety repairs at fair sites.

<sup>7</sup> State Controller's Office

<sup>8</sup> Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans, surplus lines, and nonadmitted insurance.

<sup>9</sup> For return to cities and counties. Trailer coach license fees are deposited in the General Fund.

<sup>10</sup> For administrative expenses and apportionment to State, counties and cities for highways, airports and small craft harbors.

<sup>11</sup> For support of State Department of Motor Vehicles, California Highway Patrol, other agencies and motor vehicle related programs.

<sup>12</sup> For state highways and State Department of Motor Vehicles administrative expense.

<sup>13</sup> Average property tax rate in the state during preceding year.

<sup>14</sup> Includes a 5 percent rate for the State General Fund and Public Transportation Account and a 0.50% rate to the Local Revenue Fund for realignment.

FIGURE REV-21

**Comparative Yield of State Taxes, 1970-71 through 1998-99**  
Includes both General and Special Funds  
(Dollars in Thousands)

Year Ending June 30	Sales and Use	Personal Income	Bank and Corporation (a)	Tobacco (b)	Estate Inheritance and Gift (c)	Insurance (d)	Alcoholic Beverage (e)	Horse Racing (f)	Motor Vehicle Fuel (g)	Vehicle Fees (h)
1971	\$1,808,052	\$1,264,383	\$532,091	\$239,721	\$185,699	\$158,423	\$106,556	\$64,601	\$674,635	\$513,202
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	69,380	712,426	547,845
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	72,693	746,196	596,922
1974	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	78,289	742,702	644,448
1975	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	86,637	752,234	664,453
1976	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	96,117	766,555	749,936
1977	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	102,702	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	111,591	850,181	924,410
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	112,856	896,591	1,021,856
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	127,002	852,752	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	129,779	839,994	1,127,293
1982	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	139,523	119,626	833,446	1,373,354
1983	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	120,159	928,633	1,614,993
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	141,001	1,213,167	1,906,290
1985	9,797,584	10,807,706	3,664,593	262,868	296,805	643,139	135,786	133,814	1,159,637	2,137,326
1986	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	131,592	1,194,172	2,515,295
1987	10,904,022	13,924,527	4,800,843	255,076	273,089	1,008,804	131,288	131,733	1,245,881	2,692,835
1988	11,650,531	12,950,346	4,776,388	250,572	304,148	1,158,321	128,734	132,208	1,293,254	2,966,334
1989	12,650,893	15,889,179	5,138,009	559,617	335,091	1,317,630	128,264	143,379	1,320,512	3,142,484
1990	13,917,771	16,906,568	4,965,389	787,076	388,527	1,167,684	128,524	147,920	1,349,146	3,305,711
1991	13,839,573	16,852,079	4,544,783	745,074	498,774	1,287,152	129,640	148,279	1,999,771	3,513,159
1992	17,458,521	17,242,816	4,538,451	726,064	446,696	1,167,307	321,352	130,042	2,457,229	4,369,862
1993	16,598,863	17,358,751	4,659,950	677,846	458,433	1,188,181	292,107	114,037	2,412,574	4,470,321
1994	16,857,369	17,402,976	4,809,273	664,322	552,139	1,196,921	275,797	118,215	2,547,633	4,518,795
1995	16,277,447	18,608,181	5,685,618	674,727	595,238	998,868	268,957	108,974	2,685,731	4,749,594
1996	17,503,864	20,877,687	5,862,420	666,779	659,338	1,131,737	269,227	106,057	2,757,289	5,009,319
1997 (i)	18,434,781	23,273,258	5,788,774	665,423	599,254	1,199,553	271,065	92,366	2,806,276	5,224,709
1998 *	19,519,601	25,980,000	5,835,301	650,800	731,000	1,224,000	269,500	80,994	2,907,368	5,436,756
1999 *	20,355,703	27,640,000	6,175,000	640,500	762,000	1,281,000	267,600	78,691	2,994,122	5,658,191

(a) Includes the corporation income tax and from 1989 through 1997, the unitary election fee.

(b) Proposition 99 (November 1988) increased the cigarette tax to \$0.35 per pack and added an equivalent tax to other tobacco products. The Breast Cancer Act added \$0.02 per pack effective 1/1/94.

(c) Proposition 6 (June 1982) repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable federal estate tax credit effective for decedents dying on or after June 8, 1982.

(d) The conclusion of litigation resulted in additional revenue of \$51 million in 1987-88, \$178 million in 1988-89, \$7 million in 1990-91, and \$5 million in 1991-92. It also resulted in refunds of \$46 million in 1993-94, \$127 million in 1994-95, \$39 million in 1995-96, \$15 million in 1996-97, and will result in additional refunds in 1997-98.

(e) Alcoholic beverage excise taxes were significantly increased effective July 15, 1991.

(f) Beginning in 1988-89, includes revenues from satellite wagering that were not included in prior years.

(g) Motor vehicle fuel tax (gasoline), use fuel tax (diesel and other fuels), and jet fuel.

(h) Registration and weight fees, motor vehicle license fees, and other fees.

(i) Some figures for 1997 may be preliminary.

\* Estimated



## 1998-99 PROPERTY TAX REVENUE ESTIMATES

Total property tax revenue in fiscal year 1998-99 is estimated to be \$20.6 billion.

Under Article XIII A of the State Constitution (Proposition 13), property is assessed at its 1975 fair market value until the property changes ownership. At the time of ownership change, the assessed value of the property is redetermined based on current market value. The fair market value of new construction is established upon completion, and thereafter is not reassessed until there is a change in ownership. The value initially established in 1975, or subsequently redetermined when appropriate, is referred to as the "base year value." A property's base year value may be increased annually by an inflation factor, not to exceed two percent.

The State Constitution limits the property tax rate to one percent plus an amount for debt approved by the voters prior to June 1978. Proceeds from the one-percent rate are allocated to local jurisdictions. On a statewide

basis, the distribution is approximately as follows:

K-14 Schools	53%
Counties	20%
Cities	11%
Redevelopment Agencies	8%
Other Special Districts	8%

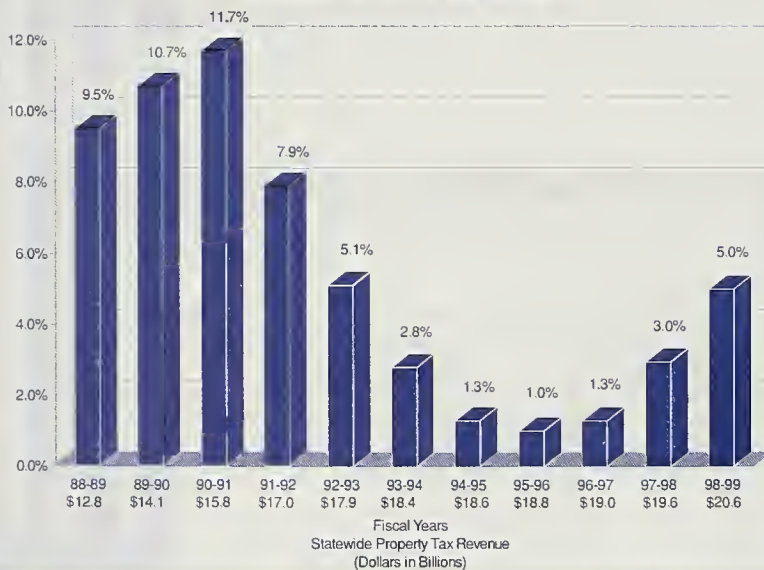
The severity of the recession in the early 1990s caused significant declines in real estate markets statewide. Proposition 8, passed in 1979, amended Proposition 13 to provide for the reduction of property values to reflect real estate market conditions. Since 1991, tens of billions of dollars were reduced from the statewide assessment roll due to Proposition 8 reassessments.

The economic recovery has begun to reverse the downward trend in the real estate market experienced in the early 1990s. As a result, property values have begun to increase in most counties, as measured by changes in ownership (home sales) and new construction (improvements and additions). In 1996-97, assessed values grew by 1.3 percent; the first increase in the growth rate from the prior year since 1990-91 (see Figure Rev-2). This turnaround was primarily due to buyers willing to pay higher prices for homes in some regions and the fact that the decline in the real estate market in other areas was not enough to offset the gain in the market elsewhere.

Property tax growth is estimated using a biannual (November and April) survey of county assessors and auditors, requesting estimates of each county's assessed value growth for the next fiscal year. In 1997-98, growth in assessed value is estimated to be three percent. Most of this growth was due to local economic improvement, a two-percent California Consumer Price Index (CCPI) factor applied to base value, and the initial signs of a slowdown in Proposition 8 reassessments and assessment appeals. In 1998-99, the growth in assessed value is expected to reach five percent, due primarily to continued improvement in the economy, the two-percent CCPI factor, and restoration of some Proposition 8 assessed values.

FIGURE REV-22

### Assessed Value Growth Since 1988-89 (Estimated for 1997-98 and 1998-99)





# DEMOGRAPHIC OUTLOOK

Reflecting the health of its economy, California experienced a net gain of more than 20,000 domestic migrants in fiscal year 1996-97, following five successive years of domestic out-migration that had averaged over 250,000 per year. The November 1997 population projection for the State forecasts an increase in 1998-99 of 1.8 percent—more than 586,000 persons—and annual average gains at that same level through the turn of the century.

The components of the population change projected for 1998-99 are natural increase—births minus deaths—of 301,000 and net migration of 285,000, which includes 65,000 domestic migrants from within the United States and 220,000 foreign immigrants. Together, these result in a projected population of 34.1 million California residents in July 1999 (see Figure DEM-1).

Although the rate of births and deaths is expected to remain relatively constant over the next few years, continued growth is anticipated in both domestic and foreign migration. By 1999-2000, domestic migration is forecast to return to the 25-year historical average of 75,000 and foreign migration will increase to over 240,000 annually.

Population growth rates vary significantly by age group. Since 1990, the overall population has grown by 10.1 percent, but the working-age population grew at a rate of 6.6 percent, whereas the under-18 group grew at nearly triple that rate and the older populations at double that rate (see Figure DEM-2).

FIGURE DEM-1

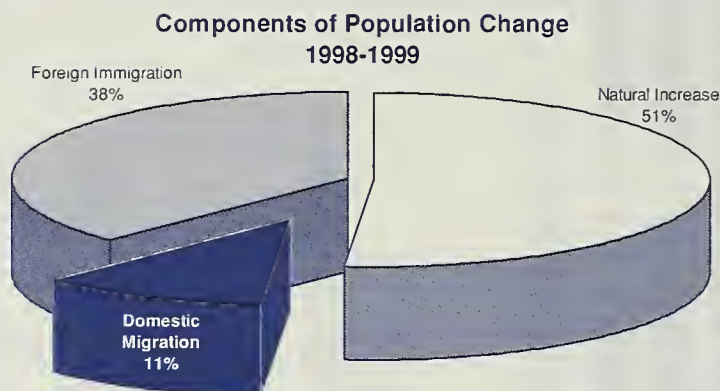
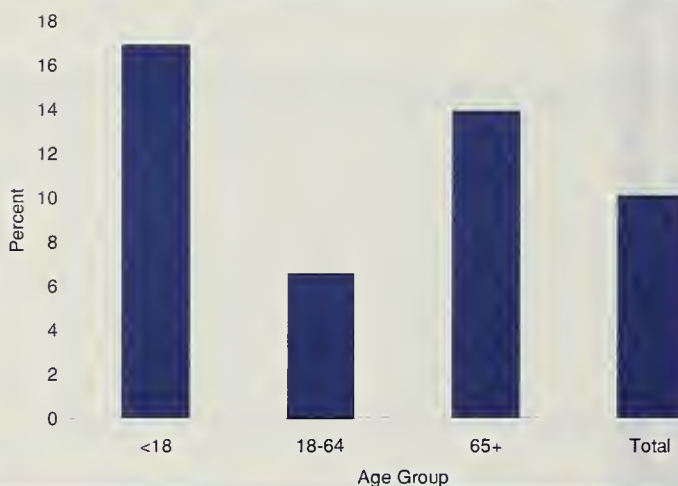


FIGURE DEM-2

California Population Growth by Age: 1990-97



## DEMOGRAPHIC OUTLOOK

Since 1990, graded public school enrollment has been growing at a faster pace than total population because of the large number of births in the late 1980s. In the fall of 1996, this enrollment grew by 2.7 percent—by nearly 144,000 students—to 5.5 million. However, after the year 2000, school enrollment growth will lag behind general population growth because the number of births declined in the 1990s. Annual growth is expected to average 96,000 new students per year through the remainder of the decade, slowing gradually to a level of 56,000 in the fall of 2003.

# ELEMENTARY & SECONDARY EDUCATION

Providing a high quality education for California's 5.7 million children, in a safe learning environment, continues to be the Administration's highest priority. As indicated in Figure K12-1, almost \$40 billion will be devoted to California's 999 school districts and 58 county offices of education, resulting in estimated total per-pupil expenditures from all sources of \$6,620 in fiscal year 1997-98 and \$6,749 in 1998-99. Figure K12-2 displays the various sources of revenue for schools.

Continued strength in projected state revenues will contribute to a seven-percent increase in Proposition 98 General Fund support for K-12 education in 1998-99. This level of resources results in K-12 Proposition 98 per-pupil expenditures of \$5,636 in 1998-99, up from \$5,114 in 1996-97, and \$5,414 in 1997-98 (see Figure K12-3).

FIGURE K12-2

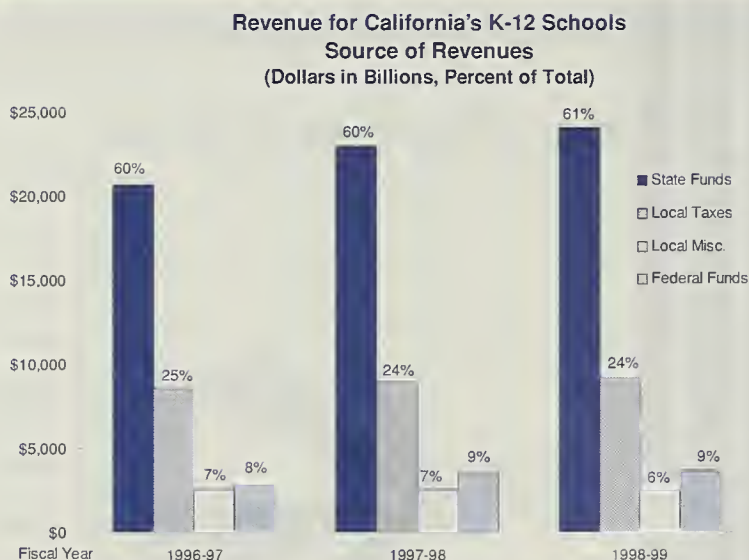


FIGURE K12-1

**Total Revenue for K-12 Education**  
(Dollars in Millions)

Source of Funds	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98 <sup>1/</sup>	1998-99 <sup>1/</sup>	Amount	Percent
State General Fund	\$16,250	\$14,896	\$15,658	\$17,797	\$19,965	\$22,253	\$23,272	\$1,019	4.6%
Lottery Fund	501	556	644	698	615	656	755	99	15.1%
Other State Funds	47	50	53	53	79	81	75	-6	7.4%
Federal Funds	2,137	2,498	2,708	2,825	2,925	3,568	3,631	63	1.8%
Local Property Taxes	6,475	8,246	8,573	8,660	8,585	8,936	9,299	363	4.1%
Local Debt Service	364	360	360	390	426	426	426	—	—
Local Miscellaneous	1,713	1,757	1,751	2,103	2,103	2,103	2,103	—	—
<b>Total Revenue</b>	<b>\$27,487</b>	<b>\$28,363</b>	<b>\$29,747</b>	<b>\$32,526</b>	<b>\$34,698</b>	<b>\$38,023</b>	<b>\$39,561</b>	<b>\$1,538</b>	<b>4.0%</b>

<sup>1/</sup> Estimated.

<sup>2/</sup> State General Fund is adjusted to reflect local expenditures for the year in which the funds were received.



# ELEMENTARY & SECONDARY EDUCATION

FIGURE K12-3

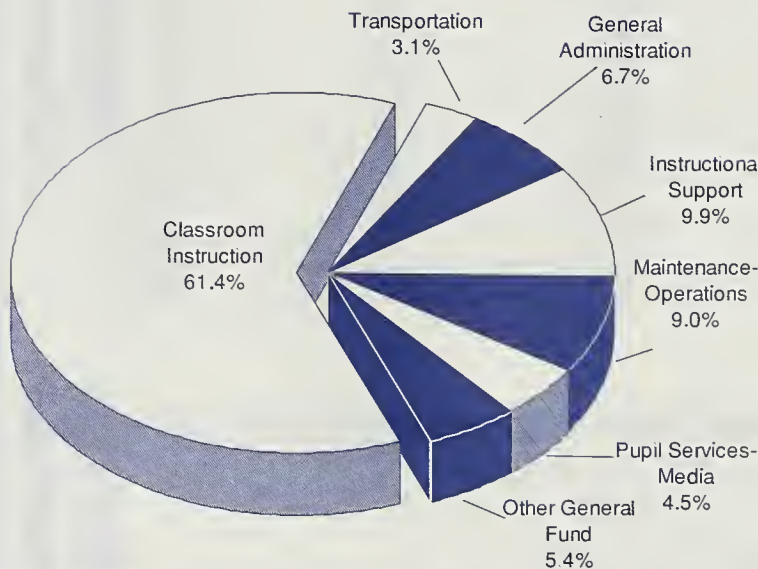
## Proposition 98 K-12 Funding per Pupil (Dollars in Thousands)

	1996-97	1997-98	1998-99
General Fund	\$18,268,642	\$20,194,390	\$21,545,994
Local Revenue	8,523,798	8,880,628	9,240,982
<b>Total</b>	<b>\$26,792,440</b>	<b>\$29,075,018</b>	<b>\$30,786,976</b>
Proposition 98 ADA	5,238,926	5,370,279	5,462,947
<b>Dollars Per ADA</b>	<b>\$5,114</b>	<b>\$5,414</b>	<b>\$5,636</b>

ADA adjusted to exclude excused absences for all years

FIGURE K12-4

## Where Schools Spend Their Money



Classroom Instruction includes: general education, special education, and special projects.

General Administration includes: superintendent and board, district administration, other administration, centralized EDP, and maintenance and operations for administration.

Instructional Support includes: instructional administration, school site administration, and special projects administration.

Maintenance and Operations includes: utilities, janitorial and groundskeeping staff, and routine repair and maintenance.

Pupil Services includes: counselors, school psychologists, nurses, child welfare, and attendance staff. Media includes libraries and media centers.

Other General Fund includes: spending for tuition, facilities, contracts with other agencies, and transfers to and from other district funds.

(Based on 1995-96 data reported by schools.)

Funding reported by schools from their general fund, the various categories of expenditure, along with the respective shares of total funding for each category, are displayed in Figure K12-4. All costs shown are those reported to the State by schools using the definitions specified in the California School Accounting Manual.

## GOVERNOR'S INITIATIVES

### Improving Instruction

**Class Size Reduction.** The Budget provides a total of \$1.547 billion for the K-3 Class Size Reduction Program. This is an increase of \$57.6 million over the current funding level and provides \$24 million for program growth and \$33.6 million for a cost-of-living adjustment. In 1997-98, this Program provided funds to reduce class sizes to no more than 20 for over 1.9 million K-3 pupils. The Budget provides sufficient funding to provide a class size of 20 for an additional 40,500 pupils in grades K-3 at a rate of \$818 per pupil. In addition, the Budget proposes to continue the facilities loan program established for 1997-98 pursuant to Chapter 298, Statutes of 1997, and provide flexibility within the categorical mega-item to allow greater discretion to individual districts to assist them in implementing the Program.

**Instructional Time.** In 1997-98, \$50 million was provided to "buy back" one day of teacher staff development in exchange for an additional day of instruction. The Budget proposes an additional \$350 million to buy back the remaining seven staff development days that encroach into the 180-day instructional calendar. In return, school districts will be required to permanently eliminate all staff development days within the 180-day instructional year and will be funded for up to eight days of staff development attended by teachers beyond the 180-day instructional year.

In addition to increasing the number of days of pupil instruction, this Budget proposes other reforms which will increase the amount of instructional time provided to pupils.

**Remedial Reading Summer School Grant Program.** The Budget proposes an additional \$10 million for summer school grants to allow school districts to offer remedial reading instruction to pupils in grades 3-6 who do not read at grade level. In addition to offering remedial reading instruction during the summer, districts will be allowed to use these funds to offer after school and Saturday classes. These grants will be awarded to school districts on a competitive basis.

**Summer School for Math and Science.** The Budget provides \$1 million to establish the California State Summer School for Math and Science. The Summer School (similar to the Summer School for the Arts) would provide California high school students who have demonstrated exceptional talent and excellence in math and science with intensive instruction through a multi-dimensional, residential training program.

**Teacher Instructional Training in Math.** The Budget provides \$40 million to provide leadership training in mathematics instruction modeled after the Governor's Reading Initiative. This proposal will provide for basic skills instruction as the start of a major effort to upgrade the knowledge, skills, and abilities of teachers in mathematics instruction. The teacher training will adhere to the State Board of Education-adopted mathematics standards and will enable their students to meet the new standards.

**Reading Instruction Training.** In 1996-97, the \$200 million Governor's Reading Initiative was launched funding phonics-based textbook materials and teacher training in phonics. An additional \$52 million was appropriated in 1997-98 for retraining teachers in grades K-8. The Budget continues and builds upon the Initiative by providing \$30.9 million for the training of teachers in the upper grades (4-12) or for reading materials. To receive funds, a school must have a reading program specifically designed to remediate the reading deficiencies of students in grades 4-12 who are reading below grade level. Additionally, \$6 million is provided for training new K-3 teachers in phonics-based reading instruction.

• **Single Gender Academies.** Single Gender Academies are tailored to the differing needs and learning styles of boys and girls as a group, and they emphasize parental involvement and mentoring while also fostering community and business partnerships. There are currently six school districts which operate Single Gender Academies, one school for girls and one for boys, for a total of 12 existing academies. The Budget provides an additional \$3 million to fund 12 additional academies and provides \$2 million from previous program savings to fund second-year costs for existing academies.

## Teacher Training and Quality

• **Beginning Teacher Support and Assessment (BTSA) Program.** The Budget includes a \$16.1 million augmentation for the BTSA Program, which is designed to enhance professional success and retention of new teachers and to provide collaboration and continuity in teacher education and instruction. This augmentation will address the training needs of teachers hired for the Class Size Reduction Program as well as other new teachers. The augmentation brings the total Program funding level to \$33.6 million, which will serve a total of 10,600 new teachers, or about 50 percent of the target population.

• **National Board Certification for Teachers.** The Budget includes \$1 million for 1,000 grants for California public school teachers who are working on their National Board Certification, which is the highest certification that a teacher can obtain. To acquire this certification, a teacher must undergo a rigorous process which certifies the teacher's competence in subject matter knowledge, teaching skills, school leadership, and community participation. These grants will provide 50 percent of the \$2,000 cost of the National Board Certification.

• **Reconfiguration of the Teacher Salary Schedule.** Districts currently provide salary increases to teachers who take additional courses despite the fact that many of the courses taken have no direct correlation to



improving the teacher's skills or to the improvement of student learning. The Budget includes \$1 million for a pilot program that will link local salary schedule increases for teachers to the learning of specific skills that are needed in their schools.

**Commission on Teacher Credentialing.** The Commission will play an instrumental role in issuing credentials for an estimated 13,500 additional new teachers that will be needed to fully implement the continuing Class Size Reduction Program. To support this effort the Budget includes:

☛ \$3.8 million in Proposition 98 General Fund for the Commission to continue issuing pre-intern teaching certificates, instead of emergency teaching permits, and to provide pre-intern teaching candidates the comprehensive training and support necessary to become fully credentialed teachers.

☛ \$1 million in Proposition 98 General Fund for the expansion of the Alternative Credentialing Program, bringing total funding up to \$7.5 million. This augmentation helps address the continuing critical need to attract many more people to the profession of teaching by expanding the funding for a program that enables interns to complete teacher education requirements more quickly and to provide career-changers the opportunity to enter the teaching profession.

☛ \$1.5 million from the Teacher Credentials Fund for the design, development, and testing of a performance assessment that will be used statewide with new teachers. It will create an "in-class" performance assessment designed to measure credentialing candidates' classroom performance and ability to teach.

☛ \$100,000 from the Teacher Credentials Fund to develop a "fast-track" teacher education program for university undergraduates who decide early in their college years to become teachers. This program will give undergraduates who have decided to become teachers the ability to

take teacher preparation courses at the same time as their undergraduate courses.

☛ \$889,000 from the Teacher Credentials Fund and the Test Development and Administration Account for a variety of proposals designed to examine and improve the teacher credentialing process in California.

## Evaluation and Testing Improvements

• **STAR Program.** The Standardized Testing and Reporting (STAR) Program, established through Chapter 828, Statutes of 1997, requires school districts in California to administer a standard achievement test that assesses a broad range of basic academic skills. First-time administration of this test is scheduled for Spring 1998. The STAR Program will provide valid, reliable, and comparable individual, grade-level, school-level, district-level, county-level, and statewide scores for grades 2-11. The State Department of Education's budget includes \$35.4 million for this program.

• **Matrix Testing.** The Commission for the Establishment of Academic Content and Performance Standards is developing content and performance standards for all grade levels in English language arts, mathematics, history/social science, and science. The State Board of Education is responsible for adopting grade-level standards in these subject areas. Once standards have been adopted, the State Department of Education will be responsible for developing a statewide matrix test to assess whether schools are meeting the grade-level standards. This test is scheduled to be administered for the first time in Spring 1999. Accordingly, the Budget includes \$11 million for continued test development and \$20.2 million for test administration.

• **Golden State Exams.** The Golden State Seal Merit Diploma establishes an honors diploma to recognize high school graduates who have mastered the high school curriculum as demonstrated by exams in at least six core



subject areas. In order to meet the increasing demand from students to participate in Golden State Exams, the Budget includes a \$1.8 million augmentation.

**Physical Fitness Reporting.** The Budget includes \$50,000 for the Department of Education to provide statewide reporting on the physical fitness testing program established under Chapter 975, Statutes of 1995. The physical fitness testing program requires all school districts to administer an annual physical fitness test for students in grades 5, 7, and 9 and to report the results of these tests to the State Department of Education at least once every two years.

## Early Childhood Development Initiatives

As part of the Administration's ongoing commitment to ensuring that children from low-income families have quality child care and preschool experiences which will foster cognitive growth and prepare them for success in school, the Administration proposes expansion of child care for infants and toddlers as well as a multi-year preschool expansion with the goal of serving all four-year olds whose family income is below the federal poverty level by the year 2000. Specifically, the Budget proposes:

**Infant and Toddler Development.** The Budget builds on the commitment made in 1997-98 to expand the quality and availability of child care for infants and toddlers by including \$23 million for the purpose of providing full-year funding to continue to serve the 5,000 children added in the current year. As part of the Early Childhood Development Initiative, the Budget includes an augmentation of \$10 million in half-year funding for the purpose of further expanding child care services to serve an additional 2,200 infants and toddlers. The Budget also proposes earmarking \$2 million in Healthy Start funds for an Infant and Toddler Development Parent Outreach and Education program to enable Healthy Start sites to serve families with very young children. As a partner in this endeavor, the Health and Welfare Agency

- will support hearing screening programs for
- Medi-Cal-eligible newborns, family information and resource centers, and voluntary
- early childhood development training for
- individuals who care for infants and toddlers.

### Pre-Kindergarten for Low-Income Families.

- A cornerstone of the Administration's prevention agenda is to provide high-quality preschool programs for children from
- low-income families. The Budget proposes
- \$25 million in Proposition 98 funds to provide half-year funding for expansion of the
- State Preschool Program with the intent of
- serving more four-year olds whose family
- income is below the federal poverty level.
- This increase is sufficient to serve another
- 18,800 children and represents the initial
- increment of a two-year plan to serve all
- four-year olds whose family income is below
- the federal poverty level who are not otherwise served through Head Start, State Pre-
- school, or other child care and development
- programs.

- The proposal includes incentives for school
- districts to use local federal funds to create
- additional enrollment slots or augment existing preschool educational or support services
- for eligible children. This initiative also
- includes \$1 million to develop pre-kindergarten learning guidelines and \$5 million for
- educational outreach, including training for
- both licensed and license-exempt family
- child care home providers in the use of the
- guidelines. Finally, the Budget includes
- \$15 million to complete the expansion begun
- in 1997-98 for wraparound care to enable
- 14,000 children in state preschool to receive
- full-day care services.

### Child Care for CalWORK Recipients

- Child care services are a critical part of the
- State's effort to help public assistance recipients achieve and maintain self-sufficiency.
- As part of that effort, the Budget increases
- the availability of child care for families
- who are participating in the California Work
- Opportunity and Responsibility to Kids
- (CalWORKs) program as follows:

**Increased Child Care Services.** The demand for child care slots will increase as more aid recipients enter the workforce. Accordingly, State Department of Education's programs reserved for CalWORKs-related care will be increased by a total of \$127.5 million in 1998-99. Of this amount, \$43 million is available for additional child care slots from federal Child Care and Development Block Grant Funds, and \$84.5 million of additional Proposition 98 funds will be dedicated to expand these programs to accommodate an additional 30,400 children.

The Budget also proposes \$4 million to expand child care resource and referral services. Resource and referral agencies provide information to parents about the availability of child care, provide potential care givers with licensing information, and coordinate community resources for the benefit of parents and local child care providers. Pursuant to Chapter 270, Statutes of 1997, this expansion will enable these agencies to work closely with county welfare departments to help CalWORKs families quickly locate the child care services necessary to accommodate their work or training schedules.

**Meeting State Staffing and Reporting Requirements.** The Budget proposes \$949,000 in 1998-99 for 12 new positions and associated costs to support the workload inherent in both additional direct service contracts as well as coordinating local planning efforts. This increased level of support will also enable the Child Development Division to comply with Chapter 270, Statutes of 1997, which requires the Department to increase activities which will educate parents about the importance of choosing quality day care services for their children.

### SCHOOL OPPORTUNITY

**Opportunity Scholarships.** The Budget proposes to fund 15,000 opportunity scholarships to pupils in schools where performance on achievement tests is in the bottom five percent of all schools across the State. Under this proposal, pupils may choose to

attend other public schools within their district, other public schools outside of their district, or private schools that meet specified criteria.

**Partnership Academies.** Partnership academies provide both academic and career preparation courses to students in grades 10-12. They are structured as "schools within schools" in high schools throughout the State and are based on school-business partnerships. The Budget proposes \$708,000 to fund the existing 155 state-funded partnership academies plus \$1.35 million to fund 45 additional academies. Funds for the new partnership academies will be targeted toward inner city high schools in order to serve a greater number of at-risk pupils.

**Academic Volunteer and Mentor Service Program.** The Budget provides \$10 million, double the current program, which serves 6,600 children. This program seeks to match at-risk children and youth with caring adult role models for one-to-one academic mentoring to provide positive guidance, improved school behavior, and academic progress.

**Healthy Start Program.** The Budget proposes the continuation of \$49 million for the program including \$10 million for the Teenage Pregnancy Prevention Grant Program. Of this amount, \$2 million will be allocated for serving families whose children are not yet of school age.

### School Safety

**High-Risk First-Time Offenders.** The High-Risk First-Time Offenders Program, implemented in the current year, targets the small proportion of youth, aged 15 years or younger, who commit their first serious crime at a very early age and places them in structured programs designed to alter their behaviors. The Budget provides an additional \$16.4 million for this program to bring total ongoing funding to \$20 million.

**School/Community Policing Initiative.** The Budget includes \$10 million for a School/



Community Policing Program to provide grants to local school districts and county offices of education to adopt a community policing approach.

**Zero Tolerance.** In the last three years, significant "zero tolerance" legislation was passed which required the expulsion of pupils who posed a threat to the safety and security of other pupils on campus because they either brought a gun, brandished a knife, committed sexual assault, or sold drugs on a school campus or at a school-related activity. In a continuing effort to ensure the safety of our children on school campuses, the Budget proposes to expand "zero tolerance" by requiring the expulsion of pupils who carry illegal drugs on campus. These expelled pupils must be enrolled in an alternative program which is designed to accommodate at-risk, troubled, or violent youths. Because these alternative programs are typically more costly than regular education programs, the Budget has set-aside \$6.2 million for these additional educational costs.

## Technology

**Digital High School.** The Budget provides \$136 million to continue implementation of the Governor's Digital High School Initiative. This program provides competitive matching grants to high schools for major technology installations to fully integrate technology into their curricula. Through a comprehensive planning process and local match requirements, schools are encouraged to create partnerships in the community for donated equipment, in-kind services, and technical assistance. The Budget augmentation includes \$60 million in one-time funds for installation grants which will be necessary in 1998-99 to meet the goal of providing an installation grant to every high school by 2001. A base funding augmentation of \$26 million is also included to assure funding for ongoing maintenance and staff development grants.

**Principal Apportionment System.** The Budget includes \$1.4 million to continue devel-

opment of a new automated system to allocate school district apportionments. In 1997-98, \$400,000 was provided to contract for a fiscal management review of the existing system.

**California School Information Services Consortium via the Fiscal Crisis and Management Assistance Team.** The Budget authorizes \$3 million to continue piloting and implementing the California School Information Services project to electronically exchange school information and develop standards for data management. Of this amount, \$800,000 is earmarked for Student Friendly Services Through Technology.

## Instructional Support

**School Site Block Grants.** The Budget includes \$180 million for School Site Block Grants to allow individual schools to focus on priorities such as safety, site improvements, or to meet other locally-determined, critical needs of a one-time nature. The grants will be allocated to each of the more than 7,800 school sites throughout California on a per-pupil basis with each site receiving a minimum grant of \$10,000.

**State Lottery.** The Budget proposes that any increase in lottery funds above the amount provided to school districts in 1997-98 be dedicated to the purchase of additional instructional materials. Based upon the most recent Lottery Commission estimates, this is expected to direct \$100 million in 1998-99 for instructional materials.

## Funding Reform

**Cost-of-Living Adjustment.** The Budget proposes to update the statutory cost-of-living-adjustment (COLA) calculation for school district apportionments by calculating the COLA using the most recent available economic data. The K-12 apportionment COLA is the only escalation factor in the Budget which uses unrevised, year-old economic data in its calculation. This results in a COLA for school districts which is signifi-



cantly different from, and not comparable to, all other COLAs provided in the Budget. The revised methodology yields a 2.22 percent COLA for school districts which provides over a \$657 million increase to school districts for both general purposes and categorical programs.

**Special Education.** The Budget reflects the implementation of the new special education local funding formula as prescribed by Chapter 854, Statutes of 1997. A total of \$45.9 million in additional Proposition 98 General Fund is provided including \$7.1 million for special program funding adjustments per the new law, \$49.3 million for growth, and a \$10.6 million offset to reflect an increase in property tax revenues provided to the local education agencies. In addition, \$68.6 million in new federal funds is provided for special education. Of this amount, \$6.1 million will be used to expand "WorkAbility I", a program which assists disabled high school students transition to college or employment. After other adjustments, a minimum of \$50.8 million is available for special education equalization. These funds will increase funding for all districts, that are below the statewide average funding level of \$439 per pupil.

**Home-to-School Transportation.** The Budget provides \$2 million for the Home-to-School Transportation program, the highest priority being for districts with transportation costs that average 110 to 115 percent of the statewide average and that have either weather or terrain conditions that vary substantially from those of other districts.

## School Construction

**K-12 School Bonds and Program Reform.** The Administration proposes the enactment of an \$8 billion, multi-year General Obligation bond proposal for K-12 school construction. The proposal will place a \$2 billion K-12 bond measure on the ballot in 1998 with additional ballot measures authorized in subsequent years. The Administration's school construction proposal includes major reforms to the school facilities program that

re-establish the facilities program as a simple formula-based matching grant program for districts, developer fee reforms, and enactment of a reduced-vote threshold for the passage of local school bonds. This comprehensive package of school facilities reforms establishes adequate and predictable funding and provides districts with greater flexibility and control over local school facilities issues. In return, districts will be required to adequately maintain facilities so that all children will continue to be safely housed in the future.

**Major and Deferred Maintenance.** As part of the Administration's commitment to facilities reform, the Budget also provides \$135 million to establish an ongoing reliable funding source for the K-12 Deferred Maintenance Program which provides matching funds to districts for major and deferred maintenance projects. This funding will augment the diminishing excess loan repayments from districts which is currently the only ongoing source of state funds for maintenance. The Administration also proposes transferring funds received from districts from the School Site Utilization Fund to support the deferred maintenance program. These combined sources will provide a total of \$165 million; when leveraged with local match this funding will provide \$330 million for K-12 maintenance needs. Districts meeting the maintenance requirements of the revised building program will not be required to provide additional matching funds to participate in the state maintenance program.

## OTHER SIGNIFICANT ADJUSTMENTS

In addition to the Governor's initiatives described above, the Budget proposes the following significant adjustments:

• Statutory growth funding of \$490.8 million for school district and county office of education apportionments (\$405.7 million), summer school (\$11.8 million), special education (\$49.3 million), and class size reduction (\$24.0 million).

☛ A \$580.6 million cost-of-living adjustment (COLA) for school district and county office of education apportionments (\$470.6 million), summer school (\$4.0 million) special education (\$57.8 million), child development (\$14.6 million), and class size reduction (\$33.6 million).

☛ An augmentation of \$150.5 million for categorical program growth (\$73.7 million) and COLA (\$76.8 million).

☛ An augmentation for Child Development Programs of \$6 million in recognition of both the federal and state minimum wage increases.

☛ A \$25.9 million increase in federal funding for the Technology Literacy Challenge Grant Program.

☛ A base augmentation of \$3 million and \$6 million in one-time funds for prior years' deficiencies for the Year Round Grant Program.

☛ A \$3 million set-aside for legislation to address low performing schools.

☛ A \$2 million augmentation to the State Special Schools for additional teaching assistants and other workload increases.

☛ \$620,000 in state operations to begin an evaluation of the Class Size Reduction Program.

☛ \$500,000 in state operations to evaluate the Governor's Reading Initiative.

## PROPOSITION 98 FUNDING GUARANTEE

☛ The total 1998-99 Proposition 98 guarantee is projected to be \$34.7 billion, an increase of \$2 billion over the revised 1997-98 guarantee level. The General Fund makes up approximately 69 percent, or \$24 billion, of the total guarantee (see Figure K12-5).

**FIGURE K12-5**

### Proposition 98 (Dollars in Thousands)

Proposition 98 Appropriation	1996-97	1997-98	1998-99
State General Fund	\$20,235,975	\$22,420,700	\$23,992,609
Local Revenue	9,861,099	10,271,965	10,689,205
<b>Total</b>	<b>\$30,097,074</b>	<b>\$32,692,665</b>	<b>\$34,681,814</b>
State General Fund Distribution			
Department of Developmental Services	\$15,201	\$13,735	\$13,531
Department of Mental Health	15,400	18,400	18,400
Department of Youth Authority	44,641	42,415	41,671
Department of Education	18,284,847	20,208,211	21,561,108
California Community Colleges	1,725,886	1,937,939	2,106,251
Employee Compensation	-	-	1,648
Loan Repayment	150,000	200,000	250,000
<b>Total</b>	<b>\$20,235,975</b>	<b>\$22,420,700</b>	<b>\$23,992,609</b>
Proposition 98 Appropriations			
Percentage Share of General Fund			
SAL <sup>1/</sup> Revenues and Transfers	41.9%	43.0%	43.6%

<sup>1/</sup> State Appropriations Limit, Article XIII B.

☛ The state share of the 1997-98 Proposition 98 guarantee is expected to increase \$326 million from the 1997 Budget Act level. Lower property tax estimates account for \$98 million of the General Fund increase, and the balance is primarily the result of higher General Fund revenues offset slightly by revised civilian population estimates. Changes in estimates for school district and county office of education apportionments, and changes in the existing deferred maintenance continuous appropriation, result in a net General Fund increase of \$33 million offset by a reduction of \$30 million for school district equalization and deficit reduction. The balance remaining is proposed to be spent on various one-time purposes as detailed below.

☛ The total 1996-97 Proposition 98 guarantee decreased by \$60 million principally due to changes in General Fund revenues and civilian population estimates. The General Fund share of the guarantee has increased by \$147 million, however, due to lower-than-expected property tax cash

collections for the fiscal year. These changes combine to reduce the amount available for equalization and deficit reduction to \$493.8 million, down \$29 million from the amount estimated as of the 1997 Budget Act.

**Summary of all one-time appropriations, including both Proposition 98 Reversion Account and 1997-98 Proposition 98 Settle-up:**

- ☛ \$180 million for School Site Block Grants
- ☛ \$60 million for Digital High School
- ☛ \$40 million for math staff development
- ☛ \$12.5 million additional for Adult Education and ROC/P CalWORKS
- ☛ \$11 million for matrix test development
- ☛ \$10 million for a School/Community Policing Program
- ☛ \$6 million to fund a year-round schools deficiency
- ☛ \$5.5 million for the Standard Account Code Structure
- ☛ \$4.2 million for the Oxnard Extended Year Pilot Program
- ☛ \$4.1 million for the settlement of a prior year voluntary desegregation claim
- ☛ \$3 million to expand the Single-Gender Academies Program
- ☛ \$3 million set-aside for low-performing schools
- ☛ \$1 million for the Teacher National Board Certification Program
- ☛ \$1 million for a Salary Schedule Pilot Program



# HIGHER EDUCATION

## UC, CSU, COMMUNITY COLLEGES, AND FINANCIAL AID


California's higher education system, composed of the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC), remains a critical and vital building block in the State's expanding economy. As California continues to face increasing global competition, the State's higher education systems will provide an educated workforce, basic and applied research, and well-trained educators—all of which will help California maintain its premier position upon entering the 21<sup>st</sup> Century.


As home to the nation's finest colleges and universities, California continues to reap the benefits of its high-quality educational institutions. The State's colleges and universities are world-renowned institutions for higher learning as well as advanced research in science, medicine, and technology. As the Governor's Budget illustrates, the Administration remains committed to maintaining the quality of higher education and maintaining access, for all Californians, to the State's public colleges and universities.


### Compact With Higher Education


The Budget represents the final year of the four-year compact with UC and CSU to strengthen their budgets and ensure their


continued excellence. The plan includes the following elements:


-  General Fund increases of two percent the first year and an average of four percent in the following years; additional increases are provided for contractual obligations such as debt service and annuitant benefits.

-  Enrollment growth averaging one percent annually to increase student access.

-  Increased portability and transferability of classes among UC, CSU, and CCC.

-  Continued increases in productivity and efficiency with new savings of \$10 million annually at UC and CSU.

-  High priority on reduced graduation times and on restoring faculty salaries to competitive levels.

-  Annual funding for capital outlay of approximately \$150 million for each segment.

- The Administration remains committed to providing the higher education segments with fiscal stability and is currently working with UC and CSU on the development of a new compact.

- The 1998-99 Budgets for UC and CSU provide state funding increases pursuant to the compact and reflect increased enrollments above those required under the compact. In

addition, the Budget provides funding to offset a five-percent decrease in student fees, consistent with recent legislation, and funding to avoid ten-percent fee increases at UC and CSU for the fourth year in a row.

Current fee levels at UC, and at CSU in particular, continue to be moderate in comparison to similar institutions, and students will still pay only a fraction of the total cost of their education. The bulk of the cost of education is subsidized by the State. For UC, the 1998-99 cost of education for a general campus student (using the methodology developed by the California Postsecondary Education Commission) will be \$14,796; the General Fund subsidizes 64 percent of this cost of education. For CSU, the average cost of education will be \$9,739; the General Fund subsidizes 77 percent of this cost. For CCC, the General Fund and local tax subsidy is more than 90 percent of the \$4,053 cost of education.

For CCC, the Budget includes extra growth and a full cost-of-living adjustment (COLA) for both general apportionments and categorical programs. Regular enrollment fees for CCC will be reduced to \$12 per credit unit—the lowest in the nation and less than 25 percent of the national average.

- Additional augmentations and new programs for all three segments are discussed below.
- The 1998-99 Budget proposes a variety of seismic and life safety, infrastructure, and construction projects to be financed from a total of \$469.9 million in existing and proposed General Obligation (GO) bond funds. In addition, the Administration, UC, and CSU are continuing their efforts at identifying ways to streamline the capital project approval and administration process. This process includes components to reward successful project management by providing flexibility and authority—within legislatively approved parameters of budget and scope—needed to manage their capital projects.
- Enrollments for 1998-99 are indicated in Figure HIED-1. Total funding levels are shown in Figure HIED-2.

## University of California

- The policy of the Budget is to continue strengthening the UC pursuant to the four-year compact initiated in 1995-96.
- **General Fund Increases.** The Budget provides a General Fund increase of \$175 million. This amount includes \$83.5 million for

FIGURE HIED-1

### Higher Education Full-Time Equivalent Students

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99 vs. 1997-98
University of California	155,881	156,371	154,277	152,301	152,050	154,141	155,387	153,000 <sup>1</sup>	2,800
Undergraduate	(116,546)	(117,297)	(115,133)	(113,548)	(113,869)	(116,176)	(117,465)	(115,265)	2,440
Graduate	(26,798)	(26,511)	(26,374)	(25,930)	(25,546)	(25,346)	(25,318)	(25,735)	360
Health Sciences	(12,537)	(12,563)	(12,770)	(12,823)	(12,635)	(12,619)	(12,604)	(12,000)	0
California State University	278,902	271,159	258,834	247,866	247,113	253,376	262,428	258,000 <sup>2</sup>	10,320
Undergraduate	(239,521)	(232,822)	(221,838)	(213,632)	(213,390)	(218,529)	(225,624)	(221,818)	8,861
Graduate/Post-baccalaureate	(39,381)	(38,337)	(36,996)	(34,234)	(33,723)	(34,847)	(36,804)	(36,182)	1,459
Community Colleges	884,932	917,839	896,900	864,014	854,831	870,270	912,967	940,356	28,211
Hastings	1,325	1,261	1,253	1,268	1,257	1,216	1,284	1,179	-10
<b>Total Students</b>	<b>1,321,040</b>	<b>1,346,630</b>	<b>1,311,264</b>	<b>1,265,449</b>	<b>1,255,251</b>	<b>1,279,003</b>	<b>1,332,066</b>	<b>1,352,535</b>	<b>41,321</b>

<sup>1</sup> Budgeted. Estimated enrollment is 157,664 for UC

<sup>2</sup> Budgeted. Estimated enrollment is 266,400 for CSU

a four-percent increase to meet the fourth-year funding commitment of the compact, \$22.5 million to offset a five percent student fee reduction, consistent with Chapter 853, Statutes of 1997, and \$39.5 million to avoid a ten-percent increase in systemwide fees. UC plans to use most of these funds, supplemented with increases in fees for nonresidents and funds redirected from productivity increases, for enrollment growth, employee compensation, and price increase as well as UC initiatives.

The Budget also provides compact funding of \$2 million for the increased cost of lease-purchase payments resulting from revenue bonds; and \$4.8 million for annuitant health and dental benefits, consistent with the cost for civil service annuitants. In addition, the Budget provides funding above the compact of \$5 million for the tenth UC Campus in the Central Valley; \$5 million (in addition to the \$2 million of compact monies) for the Industry-University Cooperative Research Program; \$5 million for student outreach; and \$1 million for the California Virtual University.

**Student Enrollment.** UC's enrollment has increased to 157,000 full-time equivalent (FTE) students in 1997-98, which is 4,000 FTE

more than budgeted. For 1998-99, UC is allocating \$14.6 million of compact funds to increase budgeted enrollments by 2,000 FTE. UC will continue to meet Master Plan enrollment goals and will admit all eligible students. An additional \$6 million is provided in the 1998-99 Budget to increase undergraduate enrollments in computer science and engineering-related fields in order to address the workforce needs of California's high-technology industries.

**Employee Compensation.** UC's budget plan provides a total of \$97.2 million for employee compensation increases. Of this amount, \$31.6 million is provided for an average two-percent salary cost-of-living increase for all employees effective October 1, 1998. In addition, as part of its plan to restore faculty salaries to competitive levels by 1998-99, UC will provide \$14.6 million for another 2.5-percent salary increase for faculty, effective October 1, 1998, bringing the total faculty salary increase to 4.5 percent. UC's plan also includes \$15.8 million to fund the full-year cost of the 1997-98 salary increases, and \$35.2 million for full funding of academic and staff merit salary increases.

FIGURE HIED-2

## Higher Education Expenditures General Fund, Lottery Funds, State School Fund, Local Revenues and Student Fees (Dollars in Millions)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	One-Year Change Amount	Percent
University of California <sup>1/</sup>	\$2,615.5	\$2,685.6	\$2,599.7	\$2,551.6	\$2,668.6	\$2,769.2	\$2,963.9	\$3,116.9	\$3,286.5	\$169.6	5.4%
California State University <sup>1/</sup>	2,050.1	2,051.7	2,016.9	1,975.8	2,141.8	2,229.2	2,418.7	2,515.4	2,669.0	\$153.6	6.1%
Community Colleges	3,307.9	3,361.4	3,461.4	3,537.9	3,639.1	3,894.0	4,210.2	4,539.7	4,796.2	\$256.5	5.7% <sup>2/</sup>
Student Aid Commission	160.7	172.1	145.9	210.7	226.1	236.8	264.8	294.7	319.9	\$25.2	8.6%
Other Higher Education <sup>3/</sup>	86.9	115.5	135.8	129.2	156.8	155.6	189.6	185.7	194.1	\$8.4	4.5%
<b>Total Funds</b>	<b>\$8,221.1</b>	<b>\$8,386.3</b>	<b>\$8,359.7</b>	<b>\$8,405.2</b>	<b>\$8,832.4</b>	<b>\$9,284.8</b>	<b>\$10,047.2</b>	<b>\$10,652.4</b>	<b>\$11,265.7</b>	<b>\$613.3</b>	<b>5.8%</b>

<sup>1/</sup> For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting, general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

<sup>2/</sup> CCC's expenditures for 1997-98 include \$31.7 million in General Fund proposed legislation for one-time expenditures.

Without this proposal, CCC's expenditures for 1998-99 would show a one-year increase of \$288.2 million or 6.4 percent.

<sup>3/</sup> The Other Higher Education amount includes the California Postsecondary Education Commission, Hastings College of the Law, and General Obligation Bond Interest and Redemptions for UC, CSU, and Hastings.



**Price Increase.** UC plans to allocate \$12.2 million to offset the impact of inflation on its nonsalary budget.

**Building Maintenance.** UC's budget plan provides \$6 million in additional funding for ongoing building maintenance. This is a continuation of a multi-year plan by UC to increase funding levels for building maintenance. Building maintenance is currently underfunded by about \$50 million annually which has created a backlog of deferred maintenance projects that exceeds \$500 million.

**California Virtual University.** The Budget provides \$1 million to support UC's efforts to develop courses specifically for the California Virtual University (CVU). The CVU is a collaborative effort by California's public and private universities to help serve the educational needs of California students and employers by enhancing the range and quality of available on-line and other distance learning courses. The CVU will also serve as a gateway for students worldwide to access courses, programs, certificates, and degrees offered by California institutions.

**Instructional Technology.** UC's budget plan includes \$4 million to support its growing use of instructional technology. Funds will be used for computer hardware, software, training, and user support.

**California Digital Library.** UC's budget plan includes \$3 million in state funding provided under the compact, combined with \$1 million in UC funds, to begin developing a California Digital Library (CDL). Over time, the CDL will utilize technology to provide all Californians with access to the university's libraries. The first shared electronic collection will be the Science, Technology, and Industry Collection, which accounts for over 80 percent of the electronic literature now available. While the initial focus of the CDL will be on the information needs of UC students and faculty, UC will begin to build the partnerships that will allow information to be delivered to all Californians.

- **Industry-University Cooperative Research.**
- In 1996-97, UC launched a competitive grants research program designed to help the State's economy by making targeted investments in areas of research that are of strategic economic importance. The Budget proposes to increase funding for this program by \$7 million, which includes \$2 million in compact funding, and an additional \$5 million General Fund. In combination with \$8 million in base funding, the total amount provided is \$15 million, which is expected to leverage more than \$15 million in private industry support. This program complements the research and development tax credit by focusing on California's strongest industries and fields of research. The Budget will provide funding to continue research in biotechnology, which was first funded in 1996-97, and will provide funding for research in the following additional areas: digital media, semiconductor manufacturing, information technology, and wireless communications.
- **Outreach.** The Budget includes \$5 million to expand student academic outreach programs which are used as a tool to assist the university in promoting student achievement, and maximizing access for qualified students. The overall goal is to develop and strengthen the academic skills and interests of students in K-12 and community colleges so that more young people are academically prepared to gain admission to the university.
- **Student Fees.** For the fourth consecutive year, the Budget provides funds to avoid an increase in mandatory systemwide student fees, consistent with Chapter 853, Statutes of 1997, which reduced mandatory systemwide fees for undergraduates by five percent and prohibited fee increases for two years. The undergraduate fee level of \$4,022 compares favorably to the 1997-98 average of \$4,931 at four public institutions used for salary comparison purposes (see Figure HIED-3).
- **Tenth UC Campus.** The Budget provides \$5 million to continue the development and planning of the UC Merced campus. Combined with \$4.9 million made available to UC for this purpose in the 1997-98 budget, UC will continue with initial site studies,

conduct infrastructure and academic planning, and expand educational services to Valley residents.

**UC Arts Bridge Program.** The Budget includes \$1.5 million for scholarships to university students studying for degrees in the arts to work as "artists in residence" in K-12 public schools. Depending on the needs of local schools and their surrounding communities, programs will be developed in such areas as art, music, drama, film, photography, and dance.

**UC Teaching Internship for Mathematics and Science.** The Budget includes \$1.5 million to establish Community Internships for Mathematics and Science to recruit and prepare upper-division college students majoring in math, science, and engineering to teach in K-12 schools. The program will provide stipends for college juniors and seniors to work in local public schools with the greatest needs for math and science teachers.

**Capital Outlay.** The Budget proposes \$150.2 million for UC from proposed General Obligation (GO) bonds for capital outlay expenditures. This amount includes funding for UC to address 26 projects at 9 campuses, placing priority on seismic, fire/life safety, and vital infrastructure projects. The Budget continues to provide UC with the flexibility to use project savings from GO bond-funded capital outlay projects for other high-priority items.

### California State University

The policy of the Budget is to continue strengthening the CSU pursuant to the four-year compact initiated in 1995-96.

**General Fund Increases.** The Budget provides a General Fund increase of \$162.9 million, which includes \$73.1 million for a four-percent increase to meet the fourth-year funding commitment of the compact, \$39.6 million for enrollment growth, \$19.4 million to offset a five-percent student fee reduction, consistent with Chapter 853, Statutes of 1997, and \$31.4 million to avoid

FIGURE HIED-3

#### University of California Comparison of Resident Fee and Tuition Levels at Comparable Universities and California Private Institutions



a ten-percent increase in systemwide mandatory student fees. CSU plans to allocate most of these funds to student enrollment, employee compensation, building maintenance, and developing campuses, as discussed in more detail below.

The Budget also provides compact increases of \$1.9 million for the increased cost of lease-purchase payments resulting from revenue bonds; and \$0.4 million for the increased cost of annuitant dental benefits. In addition, the budget provides \$5.2 million to assist in the conversion of the former Camarillo Developmental Center to the Ventura Off-Campus Center of CSU, Northridge; \$1 million for the California Virtual University; and \$5 million for CSU's Teacher Development Initiative.

**Student Enrollment.** CSU's enrollment in 1997-98 is estimated at 266,400 full-time equivalent (FTE) students, which is 8,400 FTE more than budgeted. For 1998-99, the budget provides a total of \$39.6 million General Fund, above the \$12.2 million in the compact, to increase budgeted enrollments by 10,320 FTE to 268,320. CSU will continue to meet Master Plan enrollment goals and will admit all eligible students.



**Employee Compensation.** CSU plans to allocate an additional \$73.7 million for employee compensation in 1998-99. Of this amount, \$2.4 million represents full-year costs of 1997-98 compensation increases effective September 1, 1996. The remaining funds represent a total increase of four percent, however, the specific allocations for cost-of-living, time-in-service, and performance-based increases will be determined by CSU and its employee unions through collective bargaining.

**Building Maintenance.** CSU plans to allocate \$1.7 million in order to increase the amount budgeted for ongoing maintenance.

**Academic Technology.** Beginning in 1998, CSU intends to launch its Integrated Technology Strategy which utilizes public-private partnerships in order to secure external funding to meet the technology infrastructure needs of CSU. CSU's plan is designed to address its immediate infrastructure and hardware needs and to create a replenishing base for constant upgrade and maintenance.

**California Virtual University.** The Budget provides \$1 million to support CSU's efforts to develop courses specifically for the

California Virtual University (CVU). The CVU is a collaborative effort by California's public and private universities to help serve the educational needs of California students and employers by enhancing the range and quality of available on-line and other distance learning courses. The CVU will also serve as a gateway for students worldwide to access courses, programs, certificates, and degrees offered by California institutions.

**Developing Campuses.** Tremendous progress continues to be achieved at the new CSU campus at Monterey Bay. This new campus continues CSU's tradition of excellence and will provide an enriched environment through the use of alternative instructional methods and new technologies. CSU plans to allocate a total of \$2.6 million to continue development at the Monterey Bay campus.

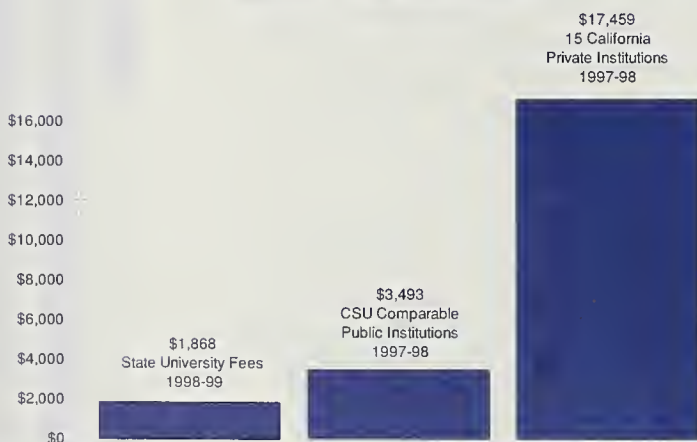
**Student Fees.** For the fourth consecutive year, the Budget provides funds to avoid an increase in mandatory systemwide student fees, consistent with Chapter 853, Statutes of 1997, which reduced mandatory systemwide fees for undergraduates by five percent and prohibited fee increases for two years. CSU's fee level of \$1,868 compares very favorably with the 1997-98 average of \$3,493 at 15 public institutions used for salary comparisons (see Figure HIED-4).

**Teacher Preparation and Development Initiative.** The Budget provides \$5 million for the expansion and enhancement of CSU's teacher preparation and credentialing programs. Of this amount, \$4.8 million will be used to add 600 FTE students to CSU's teacher preparation programs and to provide in-service training to improve the mathematics skills of 4,500 employed teachers. Also, \$200,000 will be allocated to the Center for Teaching Careers to develop a program for recruiting new mathematics teachers.

**Reuse of Camarillo State Hospital and Developmental Center.** The Budget provides \$5.2 million to assist CSU with the conversion of the Camarillo facility to the Ventura Off-Campus Center of CSU, Northridge.

**FIGURE HIED-4**

**California State University  
Comparison of Resident Fee and Tuition Levels  
at Comparable Public Universities and  
California Private Institutions**





**Capital Outlay.** The Budget proposes \$161.3 million in capital expenditures for CSU. These funds will address 24 projects on 22 campuses with priority on seismic, fire/life safety, and vital infrastructure projects. Included in these funds are \$11.3 million for the conversion of Camarillo State Hospital and Developmental Center to the Ventura Off-Campus Center of CSU, Northridge. The Budget continues to provide CSU with the flexibility to use project savings from GO bond-funded capital outlay projects for other high-priority items.

## Student Financial Aid

California's Master Plan for Higher Education is based on three principles: 1) high-quality educational programs, 2) open access for all who meet specified entrance criteria, and 3) affordability. Until the severe fiscal constraints of the early 1990s, the State had sufficient resources to pursue the goal of affordability through a policy of charging all students fees which were substantially lower than comparable institutions.

The Administration has maintained and renewed its commitment to keep higher education affordable by providing significant increases in student financial aid (see Figure HIED-5). Since 1990-91, the funding of financial aid has increased by \$166.5 million from new fee revenue and by \$291.3 million from the General Fund; the combined total has more than doubled, increasing from \$283.1 million to \$740.8 million. Currently, about 66 percent of UC students and 47 percent of CSU students receive financial aid.

It should be emphasized that students also receive financial aid from federal, private, and other sources in the form of grants, work study, and loans. Altogether, students in California's public and private higher education institutions received about \$4.9 billion in financial aid in 1996-97, an increase of \$2.5 billion since 1990-91. The total amount is expected to increase by several hundred million dollars in 1997-98 and again in 1998-99.

**FIGURE HIED-5**

### Financial Aid Grants General Fund and Fee Revenue Funded (Dollars in Thousands)

Institution/Fund Source	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99 <sup>1/</sup>
University of California	\$81,893	\$105,877	\$130,704	\$156,450	\$176,531	\$180,700	\$195,481	\$201,331	\$204,903
General Fund	47,253	56,460	53,834	65,423	53,743	62,644	62,260	62,260	69,760
Fee Revenue	34,640	49,417	76,870	91,027	122,788	118,056	133,221	139,071	135,143
California State University	32,117	46,493	84,989	94,591	109,042	110,047	114,588	115,974	120,830
General Fund	32,117	46,493	47,896	48,227	47,680	47,659	47,684	48,417	54,872
Fee Revenue	—	—	37,093	46,364	61,362	62,388	66,904	67,557	65,958
Community Colleges <sup>2/</sup>									
General Fund	12,021	16,849	28,291	51,540	74,799	93,307	97,935	102,684	103,297
Student Aid Commission									
General Fund	157,032	168,975	142,831	207,600	222,878	230,523	257,670	280,735	311,768
<b>Total</b>	<b>\$283,063</b>	<b>\$338,194</b>	<b>\$386,815</b>	<b>\$510,181</b>	<b>\$583,250</b>	<b>\$614,577</b>	<b>\$665,674</b>	<b>\$700,724</b>	<b>\$740,798</b>
General Fund	248,423	288,777	272,852	372,790	399,100	434,133	465,549	494,096	539,697
Fee Revenues	34,640	49,417	113,963	137,391	184,150	180,444	200,125	206,628	201,101

<sup>1/</sup> Reflects five percent reduction in mandatory systemwide fees for the University of California and California State University, and \$.00 per unit reduction at the California Community Colleges.

<sup>2/</sup> Reflects budgeted amounts.

**Cal Grant Policy Review.** Current law delineates the funding policies for the Cal Grant program, including goals for the number of new awards and the maximum award for students attending private institutions. The Administration has made significant progress towards achieving these goals, however, it has become apparent that continued progress is problematic. As a result, the Administration is calling for a broad-based workgroup, composed of representatives from the higher education segments, the Legislative Analyst, the Department of Finance, the California Postsecondary Education Commission, and the Student Aid Commission, to re-examine the long-term statutory Cal Grant policy. The workgroup will be led jointly by the Student Aid Commission and the Department of Finance. It is the expectation of the Administration that this review will be concluded by early Spring of 1998; this timeline will allow the workgroup to provide guidance on the future direction of the Cal Grant program in time for inclusion in the 1998-99 budget via the May Revision.

**Cal Grant Program.** The Cal Grant A, B, and C Programs are being increased by \$26.3 million, which reflects the continued costs of phasing in the 1996-97 and 1997-98 increases in both the number of Cal Grant awards and the maximum award level for students attending private institutions.

**Increase New Participants in Assumption Program of Loans for Education (APLE).** The Budget proposes to increase the number of new APLE participants by 400. By forgiving student loans, the APLE program provides a financial incentive to encourage new teachers to work in critical shortage areas in California. Grant costs associated with the increases in this program will not be incurred until 2000-01.

**Technology Access Matching Grants.** The Budget provides \$1 million for a Technology Access Matching Grant pilot program, which will provide grants of \$500 each to 2,000 new Cal Grant recipients. Funds will be used by students to purchase computer hardware and/or software, and must be matched by

either the academic institution or the individual student.

## CALIFORNIA COMMUNITY COLLEGES

Total funding proposed for the California Community Colleges (CCC) is nearly \$4.8 billion, reflecting a 5.7 percent increase over the \$4.5 billion provided for 1997-98. The Budget also includes \$40 million in one-time funds from amounts owed in satisfaction of the 1996-97 and 1997-98 Proposition 98 guarantees. Adjusting for the one-time current year increase, the amount available in the budget year for ongoing program increases in the budget is \$288.2 million, or 6.4 percent.

These increases provide the resources for districts to address the following priorities: 1) expansion of access to meet the expected college population demand over the next few years; 2) increased local accountability for preparing a well-trained, competent workforce capable of competing in the job market of the next century; 3) investment in high technology to enhance productivity and instructional quality; 4) encouragement of distance learning and new teaching methods; 5) support for other state programs through targeted training and services; and 6) protection of the State's facilities infrastructure to serve the next century.

In accomplishing these objectives, the Budget also ensures California's community colleges continue to be the most affordable higher education system in the nation, regardless of income level. Student fees are reduced from the current \$13 to \$12 per unit effective in the budget year and will remain the lowest in the nation. Figure HIED-5 compares California's annual enrollment fees to fees nationwide for 1997-98. The chart shows that the national average for student fees at community colleges are four times the fees paid in California, assuming national trends continue into the budget year. Fees charged in South Carolina, the state with the second lowest fees, are more than 50 percent greater than fees charged in California. Additionally, because the



number of financially needy students has increased, the Budget includes funds to offset the associated fees waived for those students.

As Figure HIED-6 shows, total funding for CCC in 1998-99 is \$4.8 billion.

Figure HIED-7 shows the funding sources and their proportions from 1996-97 through 1998-99.

**Current Year Local Assistance Adjustments.** The following one-time appropriations are proposed:

☛ \$40 million for one-time uses including instructional equipment, library materials, technology infrastructure, hazardous materials abatement, structural accessibility, and scheduled maintenance and special repairs. Based on priorities submitted to the Chancellor, these funds will be allocated for specific projects as appropriate and allocated on a full-time equivalent student basis for equipment, library, and technology needs.

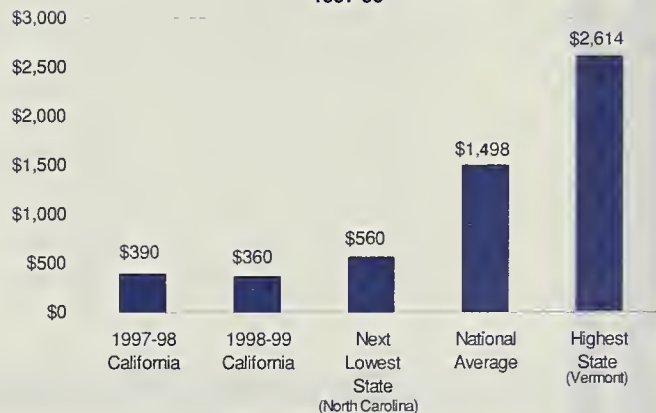
☛ \$11.2 million to backfill a current year shortfall resulting from lower than expected base property tax revenue.

**Major Budget Year Adjustments.** The following permanent increases are proposed for the general apportionment and other programs for 1998-99:

☛ \$72.7 million to fund a 2.22 percent cost-of-living adjustment to fully fund inflation for both general purpose funds and categorical programs—for the fourth consecutive year. This amount reflects the Administration's proposal for consistency between the statutory adjustment factors used for both community colleges and the K-12 system. This change will more accurately reflect inflation by utilizing the most recent year-to-year average change in the cost of government goods and services, rather than the year-to-year change from a single quarter as currently prescribed for the community colleges.

**FIGURE HIED-6**

**Resident Tuition and Required Fees  
Community Colleges  
(Average Annual Fees)  
1997-98**



Source: Washington State Higher Education Coordinating Board

**FIGURE HIED-7**

**Significant Revenue Sources for Community Colleges  
(Dollars in Millions)**

Source of Funds	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97 <sup>1</sup>	1997-98 <sup>2</sup>	1998-99	Change from 1997-98	
									Dollars	Percent
State General Fund	\$1,801.1	\$1,641.6	\$1,279.2	\$1,342.7	\$1,600.3	\$1,871.6	\$2,095.1	\$2,275.7	180.6	8.6%
Lottery Fund	75.8	85.5	94.2	100.7	107.4	95.4	104.7	120.4	15.7	15.0%
Local Property Taxes	831.3	1,010.3	1,278.5	1,332.0	1,348.1	1,337.3	1,391.3	1,448.2	56.9	4.1%
Student Fees	82.3	122.6	186.9	174.9	166.9	163.5	165.4	155.3	-10.1	-6.1%
Other State Funds	5.2	6.5	5.5	7.3	7.3	6.5	9.0	9.0	0.0	0.0%
Federal Funds	120.0	118.5	136.3	146.1	143.7	142.1	142.1	142.1	0.0	0.0%
Local Miscellaneous	440.7	472.2	554.4	533.8	516.9	590.7	629.0	642.4	13.4	2.1%
Local Debt Service	5.0	4.2	2.8	1.7	3.6	3.1	3.1	3.1	0.0	0.0%
<b>Total Revenue</b>	<b>\$3,361.4</b>	<b>\$3,461.4</b>	<b>\$3,537.8</b>	<b>\$3,639.1</b>	<b>\$3,894.2</b>	<b>\$4,210.2</b>	<b>\$4,539.7</b>	<b>\$4,796.2</b>	<b>\$256.5</b>	<b>5.7%</b>

<sup>1/</sup> 1996-97 General Fund includes proposed \$19.5 million from current year legislation.

<sup>2/</sup> Estimated. 1997-98 General Fund includes proposed \$31.7 million from current year legislation.



• \$95.4 million for a 3 percent growth in enrollments and categorical programs. This level exceeds the 1.89 percent change in adult population, the current statutory index for system growth, and will fund an additional 28,200 full-time equivalent students (FTEs), bringing the estimated FTEs level to over 968,000—the highest level of instructional workload ever for the system.

• \$50 million to initiate a Partnership for Excellence. This initiative is based on the Board of Governors' budget proposal to increase the level of general purpose funding to the colleges in exchange for a commitment to greater local accountability in meeting state outcome objectives. The Administration proposal embraces this concept and proposes an initial allocation of funds based on establishment of rigorous statewide goals and a limited, verifiable set of measures encompassing the significant missions of the community college system. Those areas include transfer and retention, completion of degrees and certificates, remedial education, access for the disadvantaged, specialized training and assistance to business, and increased earnings for the workforce. The performance-based fund-

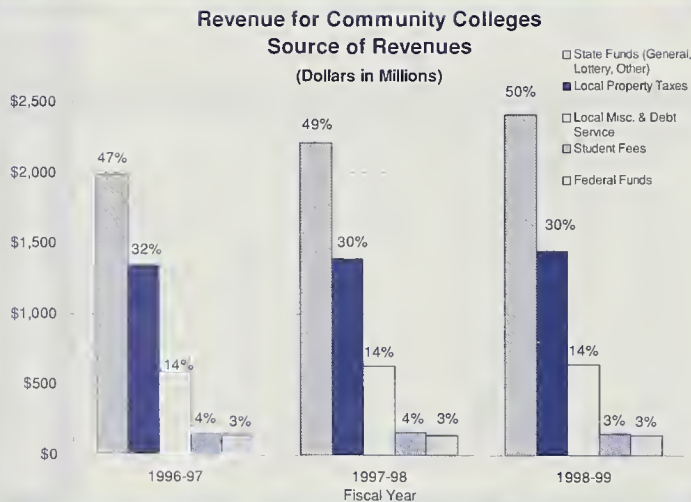
ing allocations will be effective for the following fiscal year and will ensure that high performance is significantly rewarded. Further, the funding earned for high achievement will be available to further improve student outcomes and will be exempt from current regulations which require funds to be spent on predetermined standards.

• \$10 million to augment the telecommunications and technology infrastructure program. The proposal builds on the initial college and district office connections established with the CSU network in the past two years, and seeks to expand faculty development to fully utilize the technology, increase district formula allocations for local network improvements; and establish a statewide digital uplink capability which furthers the distribution of distance education courses from any campus, consistent with the objectives of the California Virtual University (CVU).

• \$3.9 million to assist districts in the development of distance education courses which will further the scope of CVU. The funds will be used to establish regional centers to provide technical expertise to districts in developing new on-line, web-based courses for distance education and provide grants for faculty release time and expenses to encourage course conversion activities.

• \$1.9 million for the state share of a four-fold expansion of training for foster parents. This will enable the State to leverage \$2.1 million of Title IV federal reimbursement through the Department of Social Services to expand programs sufficient to meet the minimum needs for initial and ongoing training required of foster parents established in Chapter 1016, Statutes of 1996. While there is no training requirement for relatives acting as foster parents, the new level of services is estimated to accommodate all of the demand from these individuals in order to increase the rate of successful adoptions.

**FIGURE HIED-8**



• \$835,000 to increase course and major  
 • program articulation agreements between  
 • the four-year segments and the commu-  
 • nity colleges, through the California Ar-  
 • ticulation Number (CAN) system, in order  
 • to assist in meeting the new goals for  
 • transfer of community college students to  
 • the four-year segments recently agreed to  
 • by the three public higher education systems.

**State Operations.** An ongoing General Fund  
 increase of nearly \$1 million is proposed for the  
 Chancellor's Office to support the technology  
 expansion, California Virtual University, Partner-  
 ship for Excellence initiative, office relocation,  
 and other workload increases expected for  
 1998-99.

**Capital Outlay.** The Budget proposes \$158.4 mil-  
 lion for capital projects. This funding level allows  
 the colleges to address 41 projects at 33 cam-  
 puses. Projects include program expansion, cor-  
 rection of fire/life safety deficiencies, and equip-  
 ment to complete previously funded projects.





# HEALTH & WELFARE

Health and Welfare programs provide medical, mental health, and social services to California's neediest population. The 1998-99 Governor's Budget reflects the recent major redesign of the State's public assistance program and the establishment of expanded health care programs for children. The Budget also continues and expands the Administration's prevention efforts.

## 1998-99 HEALTH AND WELFARE EXPENDITURE LEVELS

For fiscal year 1998-99, Health and Welfare expenditures total \$47.8 billion in combined state and federal funds and include expenditures for approximately 39,500 personnel years.

Figure HW-1 displays the allocation of funding to the major program areas, and Figure HW-2 displays the distribution of program caseloads.

## DEPARTMENT OF SOCIAL SERVICES

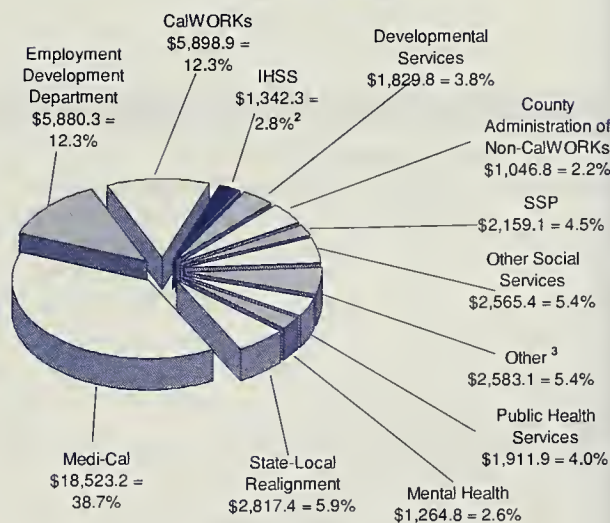
### California Work Opportunity and Responsibility to Kids (CalWORKs)

The CalWORKs program, in conjunction with the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, implements California's version of the federal Temporary Assistance for Needy

Families (TANF) program. The CalWORKs program replaced the Aid to Families with Dependent Children (AFDC) program on January 1, 1998, pursuant to Chapter 270, Statutes of 1997.

FIGURE HW-1

### Health and Welfare Proposed 1998-99 Expenditures<sup>1</sup> All Funds (Dollars in Millions)



<sup>1</sup> Includes support and local assistance.

<sup>2</sup> New treatment of county share as reimbursements added \$279.7 million to this figure.

<sup>3</sup> Includes Health and Welfare Agency, Departments of Aging, Alcohol and Drug Programs, Health and Welfare Data Center, Office of Statewide Health Planning and Development, Rehabilitation, State Independent Living Council, Emergency Medical Services Authority, Governor's Advisory Committee on Child Care, Community Services and Development, State Council and Area Boards on Developmental Disabilities, California Medical Assistance Commission, Managed Risk Medical Insurance Board, and state support for the Departments of Health Services and Social Services. Also included are the costs associated with Health and Welfare mandates, debt service, and set-asides.

FIGURE HW-2

## Major Health and Welfare Program Caseloads

	1997-98 Revised	1998-99	Change
1 California Children's Services (treatment of physical handicaps) <sup>1</sup>	128,912	130,587	1,675
2 Medi-Cal Certified Eligible (provision of medical services to low-income eligibles)	5,094,600	4,946,600	-148,000
3 CalWORKs (temporary assistance for deprived families with minor children)	2,217,589	2,016,974	-200,615
4 Foster Care	83,080	85,901	2,821
5 Child Welfare Services <sup>2</sup>	172,775	180,574	7,799
6 SSI/SSP (support for aged, blind, and disabled)	1,043,038	1,075,386	32,348
7 In-Home Supportive Services	204,521	211,264	6,743
8 Non-Assistance Food Stamps <sup>2</sup>	329,284	292,601	-36,683
9 California Food Assistance Program <sup>3</sup>	25,965	13,711	-12,254
10 State Hospitals			
a. Mental Health Clients <sup>4</sup>	4,310	4,469	159
b. Developmentally Disabled Clients <sup>5</sup>	3,745	3,498	-247
11 Community Developmentally Disabled Services			
a. Regional Centers <sup>4</sup>	142,400	148,500	6,100
b. Work Activity Program <sup>4</sup>	20,000	20,000	0
12 Vocational Rehabilitation <sup>6</sup>	32,000	33,000	1,000
13 Alcohol and Drug Programs <sup>7</sup>	338,000	338,000	0
14 Employment Services (placements)	206,500	206,500	0
15 Unemployment Services (total weeks claimed)	21,062,300	20,232,000	-830,300

<sup>1</sup> Average quarterly caseload.<sup>2</sup> Average monthly caseload.<sup>3</sup> Estimated California Food Assistance Program caseload from 1997-98 only projected serving noncitizen children and not seniors. 1998-99 caseload decline due to naturalization.<sup>4</sup> Average annual caseload.<sup>5</sup> Year-end population.<sup>6</sup> New plans written each year.<sup>7</sup> Participants served during the fiscal year. Excludes Driving Under the Influence Certification Program.Assistance Programs  
for Children and Families

The CalWORKs program is California's largest cash aid program for children and families designed to provide temporary assistance to meet basic needs (shelter, food, and clothing) in times of crisis. The new program fosters a "work first" attitude by establishing strict work requirements and encouraging personal accountability. While encouraging work, the program recognizes the differences among counties and affords them maximum program design and funding flexibility to better ensure successful implementation at the local level.

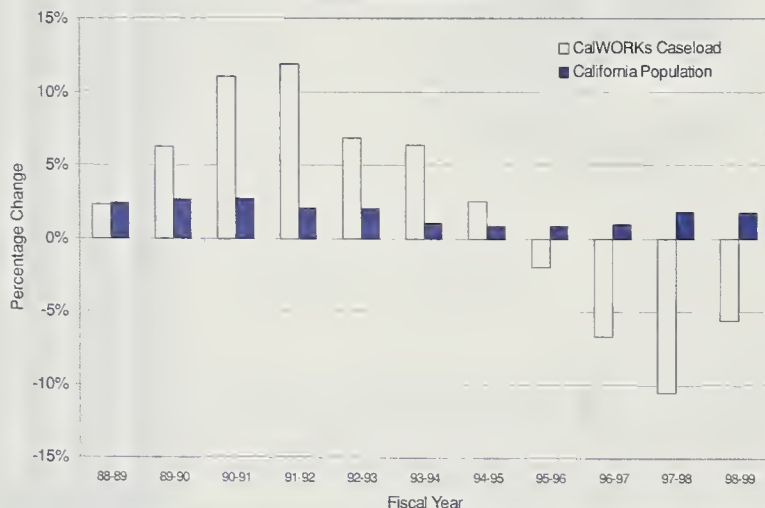
**Caseload Trends.** Caseload and corresponding expenditures are now projected to decrease for the fourth consecutive year in 1998-99, a significant turnaround from the caseload explosion of the early 1990s (see Figure HW-3). Policy reforms promoting work skills and encouraging job skills training, increasing child care services, dramatically increasing financial incentives encouraging work, and an improved private sector economy have assisted recipients and potential recipients in finding work. The 1997 Budget Act trend caseload assumed 763,700 cases with 2,244,900 recipients. The 1997-98 caseload trend revision now assumes 754,100 cases and 2,217,600 recipients. The implementation of CalWORKs and continued economic improvement in 1998-99 will result in a further projected caseload decline to 699,000 cases and 2,017,000 recipients.

## CalWORKs Provisions

The former AFDC program entitled recipients to public aid with very few limits. The CalWORKs program replaced AFDC payments with a new temporary program for needy children and families based upon the requirement that a parent obtain work.

Under CalWORKs, the State sets basic program standards, including grant levels, eligibility criteria, and time limits, but it is the State's counties which have been given

FIGURE HW-3

Annual Percentage Change in  
CalWORKs Caseload and California Population  
1988-89 through 1998-99



unprecedented flexibility to design and carry out CalWORKs in the specific fashion that best assures success at the local level. Funding flexibility also has been given to the counties for their conduct of the program. The Budget provides funds for counties as a block grant that may be used to divert recipients from public assistance or to provide employment services, child care, and other supportive services to help transition aid recipients to unsubsidized employment. Commensurate with their responsibilities under CalWORKs, counties will be rewarded with 100 percent of the savings which result from the program's success, and the Budget includes that fiscal incentive funding based on estimates of CalWORKs success.

The following is a summary of major CalWORKs policies that are reflected in the Budget:

**Time Limits.** The CalWORKs program establishes firm time limits for the provision of temporary support for families in times of crisis. Time limits are necessary to move recipients off aid and into self-sufficiency as quickly as possible. CalWORKs imposes an 18-month time limit for new applicants and a 24-month time limit for existing recipients. CalWORKs provides time limit exemptions and allows for community service in those situations in which a county certifies that unsubsidized jobs are not available for adult recipients who have been fully cooperating with the program's requirements. The lifetime limit on aid is 60 months, mirroring the federal law. A safety net is created for children whose families have exhausted their five-year lifetime aid limit.

**Work Requirements.** The CalWORKs program establishes strict work requirements and consequences for those who fail to meet their work participation requirements. Failure to participate in work activities results in sanctions for the adult portion of the grant. However, CalWORKs provides county boards of supervisors the flexibility to adopt county implementation plans suited to meet local needs resulting in varying county-by-county work requirements. Counties may require more—but not less than—20 hours of work

activities per week beginning January 1, 1998, for adult recipients in a single-parent household with the minimum level rising to 26 hours on July 1, 1998, and 32 hours on July 1, 1999. Two-parent families must participate in work activities for a combined total of 35 hours per week. In 1997-98, it is estimated that an average monthly caseload of 119,000 will participate in CalWORKs work activities, with 14 percent being placed in employment. This participation level increases to 376,000 in 1998-99 with an 18-percent placement rate.

**Exemptions.** In some limited instances, recipients are exempt from work participation and/or time limits. Those who are of advanced age, disabled, or caring for incapacitated, ill, or disabled family members are among the group of exemptions authorized by CalWORKs.

**Diversion.** Counties are authorized to provide lump-sum diversion services which may be cash or non-cash payments when such intervention would avoid the need for grant assistance. Services may include housing, child care, car repairs, and work-related expenses such as equipment and tools. The Budget assumes the diversion component of CalWORKs to be cost-neutral.

**Grant Levels.** The CalWORKs program:

- 1) simplifies the current grant computation;
- 2) provides a work incentive to recipients by allowing them to keep a larger share of the grant when their income is due to employment; and 3) reduces the grant dollar-for-dollar for income not related to work. The Budget proposes to continue the 4.9-percent grant reduction for full-year savings of \$226.2 million (\$110.2 million General Fund) and the cost-of-living increase suspension for full-year savings of \$106.5 million (\$51.9 million General Fund) throughout 1998-99. The suspensions result in the continuation of a \$565 cash grant level for a family of three in Region 1 and a \$538 grant in Region II.

**Employment Services.** Participants will progress through a series of work-related activities and services, as determined by the



county, dependent upon a recipient's pre-existing employment status and supportive services needs. Supportive services including substance abuse treatment, mental health treatment, and transportation services may be provided if the county determines that such services are needed to remove obstacles to employment.

The employment services component will begin with an initial job search and needs assessment. If full-time employment does not result, a Work Participation Plan will be developed by the recipient and county. Upon signature of that plan, the recipient's time limit commences. The activities included in a Work Participation Plan can encompass job-related training, work experience or on-the-job training, community service, part-time work, and/or adult basic education. The Budget provides \$1 billion in 1998-99 to fund an average of 376,000 participants, per month, within the CalWORKs employment services component.

**CalWORKs Child Care.** The Budget includes \$891.2 million for CalWORKs child care. A total of \$702.2 million is budgeted with the Department of Social Services to serve an estimated average monthly enrollment of 171,000 children. The budgets for the California Department of Education and California Community Colleges include \$174 million and \$15 million, respectively, to serve an estimated average monthly enrollment of 46,000 children.

**Accountability and Personal Responsibility.** CalWORKs requires parents to provide proof that their non-school age children have received appropriate immunizations within 30 days of gaining eligibility for Medi-Cal, although exemptions are provided for religious beliefs or medical restrictions. CalWORKs also requires of recipients that all school-age children and teens attend school. This requirement is to be included in the recipient's work participation plan. Pregnant or parenting teens must participate in either the State's Cal-Learn Program for teens under age 19 or an alternate county teen parent program, and teen parents must complete high school or its equivalent. Under

- CalWORKs, applicants and recipients must
- cooperate with the District Attorney to establish paternity, locate non-custodial parents,
- and enforce child support orders.

## Program Funding Changes

- **TANF Block Grant and Maintenance-of-Effort (MOE).** Under the federal TANF provisions, California is awarded a TANF block grant of \$3.734 billion per year. Any unspent TANF block grant may be carried forward by the State from year to year. The State and counties have a TANF MOE requirement of \$2.915 billion per federal fiscal year. The Budget proposal meets the MOE requirement in both the current and budget years.

- The State is projected to spend \$3.731 billion of the available \$3.734 billion in 1997-98. When combined with \$486 million of prior-year carry-over funds, the available \$3 million results in a 1997-98 year-end balance of \$489 million. The Budget proposes to reinvest this amount into the local block grant so that locally elected officials will have increased resources and flexibility to ensure the success of the program. In the block grant, the funding can be used for employment services, child care, and other functions to assist recipients in their successful transition from welfare to work. Total TANF block grant expenditures in 1998-99 will be \$4.223 billion.

- CalWORKs local assistance expenditures within the Department's budget are \$5.9 billion (\$2 billion General Fund), including \$95 million General Fund to match a non-TANF federal grant.

- **County Block Grant.** The county block grant established in CalWORKs provides counties with the necessary fiscal discretion to manage their CalWORKs program to ensure local success. Although not an open-ended entitlement, this block grant will maximize each county's unique ability to provide a tailored local program that will lead recipients to self-sufficiency. The county block grant is intended to provide the funding for such essential tools to program success as

employment services, child care, supportive services, and administration. Although provided with broad discretion, counties must maintain their 1996-97 spending levels for those same services to ensure that counties contribute toward the state/county TANF MOE requirement. The 1998-99 block grant to counties is projected to exceed \$2 billion.

**Fiscal Incentives.** Counties are provided 100 percent of the state and federal share of savings resulting from 1) recipients' successful exit from the program due to employment; 2) grant payment reductions due to increased earnings; and 3) up-front diversion from initial entry onto aid. These incentives provide maximum flexibility for local elected officials to reinvest these savings into services and maximize county success. Based on estimates of CalWORKs program success, the Budget includes \$266.9 million (\$130 million General Fund) for incentive payments to counties in 1998-99. Counties must spend the federal TANF portion of the incentive within CalWORKs and can be required to spend the state portion for CalWORKs in order for California to meet its TANF MOE requirements. The Budget assumes the incentive moneys will be spent exclusively within CalWORKs in order to meet the state-county MOE requirement.

**County Fraud Incentives.** Awarding counties 25 percent of their actual fraud collections as an incentive payment strengthens the integrity of the CalWORKs program. While the TANF portion of those payments must be spent within the CalWORKs program, the General Fund portion may be spent for any county purpose. The Budget includes \$13.1 million (\$6.6 million General Fund) in 1998-99 for fraud incentive payments.

**Emergency Assistance, County Probation.** The Budget includes \$167.4 million for county services under the Comprehensive Youth Services Act which was enacted as part of the CalWORKs legislation. Counties may use these funds for a broad spectrum of services, such as substance abuse prevention, counseling, gang intervention, and training on parenting skills and social responsibility. These funds will ensure that

counties have the resources and flexibility to assist at-risk youth and families as well as juvenile wards of the court by providing emergency assistance and promoting essential skills that will lead to reduced dependence on public assistance. In addition, the Budget provides \$32.7 million for support of county juvenile camps and ranches.

## EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)/DEPARTMENT OF SOCIAL SERVICES (DSS)

### Welfare-to-Work Federal Grant

The enactment of new federal legislation allows the State to augment its Welfare-to-Work efforts over the next four years to move hard-to-employ CalWORKs recipients into jobs. The federal statute generally defines the hard-to-employ as long-term recipients (on welfare more than 30 months) who are the most difficult to serve because of their lack of education, substance abuse problems, or employment less than three consecutive months in the last 12-month period. The program focuses on work first and includes job creation through wage subsidies, on-the-job training, job placement, and post-employment services.

The EDD is the single state agency responsible for receipt of the Welfare-to-Work federal grant. Upon completion of a draft state plan, the State Job Training Coordinating Council (the Governor's advisory body on workforce preparation issues) will hold a minimum of three public hearings to receive input before submitting the plan to the United States Department of Labor (DOL) in early March 1998.

Subsequent to plan approval by DOL and receipt of the State's allotment, EDD has 30 days to allocate 85 percent of the federal funds on a formula basis to the Private Industry Councils (PICs) in the 52 local Service Delivery Areas in California to train and place CalWORKs clients in jobs. The PICs have been designated by the federal government as the primary entities for administration of the Welfare-to-Work grant in addition



to their responsibility for administration of \$452 million federal Job Training Partnership Act (JTPA) funds to train dislocated workers and disadvantaged youths and adults. The JTPA program's primary purpose is to train unemployed individuals who face serious barriers to employment in an effort to increase employment and earnings, improve educational and occupational skills, and decrease welfare dependency. The Welfare-to-Work program will supplement this effort with a primary focus on job placement to successfully transition CalWORKs recipients into full-time, permanent, unsubsidized jobs.

California will receive \$363 million of federal Welfare-to-Work formula grant funds from DOL—\$190 million in the initial year and \$173 million in the second year—for employment services. The State is required to match the federal funds at a 2:1 (federal: state) ratio. Federal law permits the State to expend the state match after expenditure of federal funds provided that the state match is expended within three years of the grant award.

The Budget includes the following amounts:

1997-98

- ▼ \$162 million federal funds (85 percent of the initial year's award) for formula allocation to the PICs.

1998-99

- ▼ \$147 million federal funds (85 percent of the second year's award) for formula allocation to the PICs.
- ▼ \$50.5 million federal funds (15 percent of the first and second years' award [\$28.5 million and \$26 million, respectively] less \$4 million state administration) for special Welfare-to-Work projects. This funding will be allocated on a competitive basis to local entities—including cities, counties, community-based organizations, and faith-based organizations—in an effort to facilitate local collaboration of government entities and private business. This

coordinated and concerted effort among all levels of government and the private business community should help hard-to-employ CalWORKs recipients to gain job readiness skills for transition into successful long-term employment. Additionally, this will better enable California to meet federal work participation requirements under welfare reform.

- ▼ \$1 million federal funds for state administration of the federal grant (reserving \$3 million for administration in subsequent fiscal years).
- ▼ \$95 million General Fund to meet the initial year's match within DSS for allocation to the counties to supplement CalWORKs employment services activities with programs for subsets of the CalWORKs population which meet the more specific criteria of the federal Welfare-to-Work formula grant. (The State will be required to match the second-year federal allocation of \$173 million with \$86.5 million of additional expenditures between now and September 30, 2001.)

While the State is required to allocate most of the federal funds to PICs, the state match may be expended in any fashion which meets the federal criteria regarding eligibility and allowable services. As the counties are responsible for the implementation of public assistance reform, the Administration proposes allocation of California's match to counties because it is critical for them to have the resources and flexibility to transition CalWORKs recipients into full-time permanent jobs. The allocation of the federal Welfare-to-Work funding to counties would enhance the counties' overall welfare reform efforts. However, the State does not have the option to designate counties as the administrative agencies for these federal grant funds without an extensive federal waiver process or a change in federal law. The overall success of welfare reform requires that PICs and the counties work together to maximize the use of the federal grant funds in coordination with CalWORKs expenditures.



## DEPARTMENT OF SOCIAL SERVICES

## Child Support Collections

Child support collections for both public assistance and non-public assistance families are again projected to increase. The Budget includes savings of \$240.1 million General Fund in child support collections for public assistance families in 1997-98. Of this amount, \$22.4 million General Fund is attributable to collections made by the Franchise Tax Board (FTB). This amount includes the impact of Chapters 599 and 614, Statutes of 1997, which require district attorneys to refer all cases delinquent by more than 90 days to the FTB for collection and permit voluntary referral of cases delinquent by more than 30 days. The FTB is successful in making collections because of its ability to administratively seize assets, with no court action needed and to garnish up to 50 percent of a non-custodial parent's disposable income and other assets. Additional collection savings of \$6 million General Fund are attributable to the implementation of Chapter 1062, Statutes of 1996, which requires an unmarried father's signature on a paternity form in order to have his name added to the birth certificate, thereby permitting child support collections to be made more quickly.

For 1998-99, the Budget includes collection savings of \$263.1 million General Fund. The FTB collection savings are projected to be \$35.4 million General Fund. Savings of \$21.6 million General Fund are projected for the Child Support Court System which uses commissioners to hear district attorney child support cases. Increased collection savings of \$6.7 million General Fund are anticipated because an additional 470,000 employers will be reporting new hire information on an additional 14,500 employees to the New Employee Registry beginning July 1, 1998. Additional collection savings of \$10.7 million General Fund are attributable to the paternity form changes.

## Child Welfare System

The Budget strengthens the State's child welfare system and provides preventive services through the Child Welfare Services, Foster Care, Adoptions, and Child Abuse Prevention Programs.

**Child Abuse Prevention Programs.** The Office of Child Abuse Prevention provides prevention services to children who are at risk of abuse and/or neglect. The Budget includes a \$5 million General Fund augmentation to child abuse prevention programs to expand service to those children who are victims of abuse and neglect.

**Kinship Support Services Program.** Chapter 794, Statutes of 1997, authorizes the development and implementation of the Kinship Support Services Program which is intended to increase the permanency and stability of children placed in care with relatives and reduce the number of failed placements. The Budget includes \$1.5 million General Fund for grants for supportive services to relative caregivers and the children placed in their homes.

**Independent Living Program.** The Independent Living Program is designed to prepare youth for the transition from foster care to independent living as adults and provides services to approximately 6,000 young people in 54 counties. The Budget proposes to expend a one-time \$12 million federal fund advance over the next four years to increase the number of foster youth served. In 1998-99, \$2.2 million is proposed to serve an additional 1,500 youth.

**Adoptions Program.** In 1996, California initiated a five-year program to increase adoption opportunities for foster children who are unable to return to their parents. After the first year of this effort, adoptive placements increased approximately 24 percent from the previous year. For 1998-99, the Budget provides \$29.4 million (\$15.6 million General Fund) in continued funding.

**Title IV-E Waiver Child Welfare Demonstration Project.** The Budget provides \$590,000 (\$295,000 General Fund) to continue the State's participation in a five-year demonstration project and evaluation designed to test innovative and efficient methods of providing supportive services to foster children. This project will allow for more flexible use of federal Title IV-E funds, provide improvements in voluntary foster care placements, and encourage more permanent placements for foster care children living with relatives, by continuing federal foster care payments after guardianship is established.

**Wrap-Around Services Program.** Chapter 795, Statutes of 1997, establishes a statewide program to provide a complement of coordinated services to foster children and their families through redirection of existing resources. By eliminating restrictions on traditional categorical funding, the Wrap-Around Services Program will allow counties to keep children in less restrictive environments by providing community-based intervention services that emphasize the strengths of the foster child and family and include the delivery of coordinated, highly individualized services to address needs and achieve positive outcomes in their lives.

**Foster Parent Rate Increase.** Chapter 944, Statutes of 1997, provides a six-percent rate increase for foster family homes effective July 1, 1998. The Budget includes \$13.7 million (\$4.8 million General Fund) for this rate

increase and a California Necessities Index (CNI)-based cost-of-living adjustment (COLA) for foster family homes. The Budget proposes to continue the suspension of the foster care group home rate classification changes for a cost avoidance of \$48.4 million (\$19.2 million General Fund), as well as suspension of the CNI-based COLA for group homes and foster family agencies for a cost avoidance of \$17.9 million (\$7.9 million General Fund).

### **Supplemental Security Income/ State Supplemental Payment (SSI/SSP) Program**

The SSI/SSP program provides monthly cash assistance to eligible aged, blind, and disabled persons who meet the Program's income and resource requirements. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration (SSA) sets basic eligibility criteria, computes grants, and disburses monthly payments to recipients. In California, the federal SSI payment is augmented with an SSP grant which is federally mandated at a level greater than or equal to the grant level in effect in July 1983.

**1998-99 Program.** The Budget proposes \$2.2 billion General Fund for SSP in 1998-99. In January 1999, a 2.6-percent federal COLA will be added to SSI payment standards while continued suspension is proposed for the state COLA. Figure HW-4 reflects the impact of the federal COLA on the California payment standards—an increase of \$13 for individual monthly grants and \$19 for couple monthly grants. As reflected in Figure HW-5, California's SSI/SSP payment standards continue to be the highest among the ten most populous states.

**Caseload Trends.** Caseload in this program is estimated to be 1,043,000 in 1997-98, remaining relatively stable in comparison to the actual 1996-97 caseload. In 1998-99, caseload is projected to increase to 1,075,400 recipients, a 3.1-percent increase over 1997-98. Figure HW-6 compares the annual percentage change in California's

**FIGURE HW-4**

### **Changes in California Payment Standards During 1998-99**

Program Change and Implementation Date	SSI/SSP Payment Standards Independent Living Arrangement Aged and Disabled	
	Individuals	Couples
January 1, 1998 Payment Standard	\$650	\$1,156
Federal 2.6% COLA January 1, 1999	663	1,175



FIGURE HW-5

### Comparison of Payment Standards for the Ten Most Populous States

(June 1, 1997)

#### SSI/SSP Payment Standards Independent Living Arrangement

States	Aged and Disabled		Blind	
	Individuals	Couples	Individuals	Couples
California	\$640	\$1,122	\$695	\$1,269
New York	570	829	570	829
New Jersey	515	751	515	751
Pennsylvania	511	770	511	770
Michigan	498	754	498	754
Texas <sup>1,3</sup>	484	726	484	726
Florida <sup>1</sup>	484	726	484	726
Illinois <sup>1,2</sup>	484	726	484	726
Ohio <sup>1,2</sup>	484	726	484	726
Georgia <sup>1</sup>	484	726	484	726

States	Individuals	Couples	Individuals	Couples
California	\$640	\$1,122	\$695	\$1,269
New York	570	829	570	829
New Jersey	515	751	515	751
Pennsylvania	511	770	511	770
Michigan	498	754	498	754
Texas <sup>1,3</sup>	484	726	484	726
Florida <sup>1</sup>	484	726	484	726
Illinois <sup>1,2</sup>	484	726	484	726
Ohio <sup>1,2</sup>	484	726	484	726
Georgia <sup>1</sup>	484	726	484	726

<sup>1</sup> Reflects the federal SSI payment standard only as these states do not supplement SSI for an independent living arrangement.

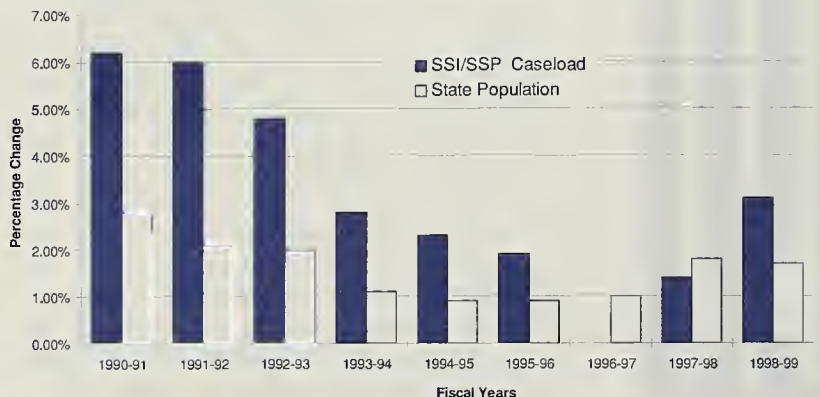
<sup>2</sup> These states do not have a standard SSP allowance.

Payments are based upon individual needs and circumstances.

<sup>3</sup> State does not supplement.

FIGURE HW-6

### Annual Percentage Change in SSI/SSP Caseload and California Population 1990-91 through 1998-99



SSI/SSP caseload and California's population. The SSI/SSP caseload consists of 31 percent aged, 2 percent blind, and 67 percent disabled persons.

**Administrative Fees.** In 1993, federal legislation shifted the administrative costs of the SSP to the states. The federal Balanced Budget Act of 1997 increased the federal SSA fee for administration of SSP benefits from \$5 per check to \$6.20 per check beginning October 1, 1997, and to \$7.60 beginning October 1, 1998. These increases will result in additional General Fund costs of \$12.8 million in 1997-98 and \$30.5 million in 1998-99.

**Disability Evaluation Division.** The SSA anticipates an increase of approximately 3.6 percent in 1997-98 and 6.5 percent in 1998-99 in disability evaluation caseload. Accordingly, the Budget contains additional federal funds totaling \$11.3 million in 1997-98 and \$16.5 million in 1998-99 for medical eligibility determinations of California residents applying for federal SSI and Disability Insurance. This funding increase will support 63 positions in 1997-98 and 105 positions in 1998-99 as well as a classification series change for approximately 470 existing positions to reflect increased responsibilities associated with the determination process.

### Adult Protective Services

Chapter 928, Statutes of 1997, provides a one-time \$1 million General Fund augmentation for the Adult Protective Services Program in 1997-98. The Budget increases the base program by \$10 million General Fund in 1998-99. This augmentation will allow counties to provide greater protection to elder and dependent adults who are in danger or victims of abuse, neglect, or exploitation.

### In-Home Supportive Services (IHSS)

The IHSS program provides domestic, cleaning, transportation, and other services to



eligible aged, blind, and disabled persons who would otherwise be unable to remain safely in their homes without such assistance. These services are provided to individuals who meet the specific eligibility criteria for SSI/SSP in an effort to avoid or delay institutionalization. The program consists of the state- and county-funded Residual Program and the Personal Care Services Program which receives federal Medicaid matching funds.

**Program Changes.** In the budget year, caseload is projected to increase to 211,300 cases, 3.3 percent higher than the 1997-98 caseload of 204,500. The Budget proposes \$485.4 million General Fund for the IHSS program in 1998-99, an increase of \$100 million above 1997-98. This increase includes \$53.1 million for services to 6,800 new cases due to program growth and minimum wage increases for service providers. The remaining \$46.9 million is to replace a reduction in the federal Title XX grant to allow recipients to continue receiving their current levels of service.

## Community Care Licensing

**Program Growth.** Program growth trends indicate an overall increase of 795 community care licensed facilities in 1998-99, a growth rate of 1.2 percent. The Budget contains \$8.8 million, including \$7.9 million General Fund and 136 positions, to meet the increasing licensing workload demands of community care facilities (CCF). The additional positions represent a 5.6-percent increase to address both new workload and currently unmet workload demands resulting from this facility growth. These resources are necessary to ensure the health and safety of clients residing in licensed CCFs.

To enhance the health and safety of DDS clients residing in CCFs whose costs are paid under Medi-Cal's Home and Community-Based Services waiver, \$1 million (\$945,000 General Fund) and 14 positions are included to perform more comprehensive annual licensing evaluations.

In addition, community care licensing information system enhancements necessitate an additional \$756,000 General Fund and 9 positions in 1998-99 to operate and maintain automated fingerprint Live Scan equipment systems. This augmentation will also provide an automated telephone system that will enable licensing applicants to determine their status for criminal record clearance via a recorded message.

**Early Childhood Development Initiative—Training Program.** The Budget includes \$3.7 million General Fund for a voluntary early childhood development training program for individuals who care for infants and toddlers while their parents are at work. The purpose of the training is to impart both the means and importance of creating a stimulating environment on the first critical years of a child's brain development and the impact this has on a child's later success and development.

## Automation Projects

The Health and Welfare Agency Data Center manages five major automation projects for the Department of Social Services. These systems will assist in the administration of the CalWORKs, Food Stamps, Child Welfare Services, and child support programs and will further the Administration's goal of providing quality services as efficiently as possible while reducing long-term costs.

**Statewide Automated Welfare System (SAWS).** The SAWS automates welfare eligibility processes and administrative functions for the CalWORKs, Food Stamp, Medi-Cal, Foster Care, Refugee, and County Medical Services programs through the development of four separate consortia systems. For 1998-99, the Budget proposes \$29.8 million (\$14.6 million General Fund) to complete implementation of Interim SAWS in 6 additional counties and for maintenance costs in the 29 operational counties. The Budget also proposes \$17.8 million (\$9 million General Fund) to begin development of a Welfare Case Data System to serve 18 counties and \$25.4 million (\$11.1 million General Fund)

to complete countywide implementation of the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting System. The Budget additionally includes \$1.3 million (\$0.7 million General Fund) for Consortium IV planning for system development to serve the remaining 4 counties and \$5.6 million (\$2.9 million General Fund) for SAWS Technical Architecture (SAWS-TA) development and implementation. The SAWS-TA will transfer case eligibility, management, anti-fraud, and statewide reporting information between the four consortia.

**Child Welfare Services/Case Management System (CWS/CMS).** The CWS/CMS will automate tracking and reporting information for the Child Welfare Services, Foster Care, and Adoptions programs. The CWS/CMS will assist the counties to more effectively administer the Child Welfare Services program by enabling social workers to make better decisions for neglected and abused children; allow social workers to spend more time providing services to clients rather than doing paperwork; improve statewide information; and provide the counties with better program management information, facilitate compliance with federal reporting requirements, and provide statewide statistical information. The Budget includes \$47.6 million (\$22.8 million General Fund) in 1997-98, \$14.6 million (\$6.8 million General Fund) above the 1997 Budget Act level, to complete system delivery in all 58 counties and for enhanced system maintenance. For 1998-99, the Budget includes \$41.6 million (\$20.9 million General Fund) for system maintenance and expanded technical support for county users.

**Statewide Fingerprint Imaging System (SFIS).** The SFIS will detect and reduce multiple case fraud in the CalWORKs and Food Stamp programs, given the new time limits and other restrictions on the receipt of aid. The Budget includes \$14 million (\$7 million General Fund) for system development and implementation which will result in offsetting savings of \$80.1 million (\$39.5 million General Fund) in 1998-99.

**Electronic Benefit Transfer (EBT).** The EBT provides a system to deliver public benefits to eligible recipients through electronic funds transfer, automated teller machines, and point-of-sale terminals in retail outlets for the delivery and control of public assistance benefits. Federal welfare reform requires states to implement EBT to deliver Food Stamp benefits by October 1, 2002. Chapter 270, Statutes of 1997, permits counties to use EBT to deliver CalWORKs benefits and requires implementation no later than April 1, 1999. At that time, all Food Stamp and CalWORKs recipients will be able to access their benefits via ATM-like cards, in lieu of monthly checks or Food Stamp coupons. The Budget contains \$396,000 (\$248,000 General Fund) in 1998-99 to complete EBT planning activities.

**Statewide Automated Child Support System (SACSS).** This statewide database was envisioned to enable district attorneys to locate absent parents, share case information, enforce support orders, and collect monthly child support payments. The State and the SACSS vendor mutually agreed to terminate the contract in November 1997. The future direction of federally mandated child support automation is currently being reviewed by the State and counties. The Budget includes a \$20 million General Fund set-aside in anticipation of a Spring proposal regarding this system.

## DEPARTMENT OF HEALTH SERVICES

### Medi-Cal

Medi-Cal is California's version of Medicaid which is a federally required entitlement program to provide health care to public assistance recipients and other selected low-income persons who lack other coverage. Medi-Cal offers a broad range of basic federally required and optional services which compare favorably to most employer-funded health plans and to Medicaid benefits in other states. At the same time, overall costs per beneficiary are lower than in all other large states.



**Expenditures.** In 1997-98, Medi-Cal expenditures are estimated to be \$18.2 billion (\$6.8 billion General Fund). General Fund expenditures are now projected to be 0.8 percent below 1996-97 expenditures and \$210 million below amounts included in the 1997 Budget Act. There has been an unprecedented multi-year decrease in the numbers of family public assistance Medi-Cal eligibles. Additionally, by the end of 1997-98, about 2.4 million of the 5.1 million Medi-Cal eligibles will have shifted to managed care from the fee-for-service system. Claims payment data from the fee-for-service system is the basis for estimating Medi-Cal costs. The Budget includes a downward adjustment of \$239 million (\$109.6 million General Fund) to recognize that the model traditionally used to estimate Medi-Cal costs may be overestimating expenditures during this period of changing trends related to caseload decreases and the shift to managed care. Typically, large econometric models have a range of predictability of plus or minus four percent. The budget includes a two percent savings, the mid-point of the savings range, in response to the recent decreases in Medi-Cal expenditures that are not captured in the current model.

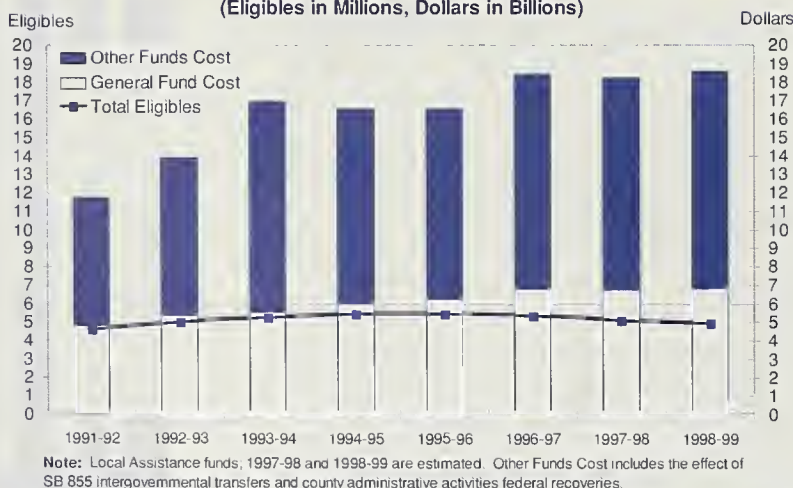
For 1998-99, Medi-Cal spending is projected to total \$18.5 billion (\$6.8 billion General Fund), representing a General Fund increase of approximately \$39.5 million, or 0.6 percent above the revised 1997-98 Budget. Figure HW-7 displays year-to-year comparisons of eligibles and costs. Significant full-year cost increases in managed care, long-term care, and the Medicare buy-in premium are offset by a savings of \$133 million from the adjustment to compensate for the caseload decrease and shift to managed care. The federal medical assistance percentage share has increased from 51.23 percent to 51.55 percent, effective October 1, 1998, resulting in increased General Fund savings of \$30.9 million in 1998-99.

Some programs, such as mental health services in departments other than the Department of Health Services (DHS), also are able to secure federal Medicaid reimbursements. The federal share of cost for these programs is included in Medi-Cal totals, but the state or local matching funds may appear either in the budgets of the other state agencies or local governments. Consequently, matching funds outside the Medi-Cal budget of \$1.36 billion in 1998-99 are not included in the program costs.

**Caseload.** Currently, about 5.1 million people—over one-seventh of California's population—qualify for Medi-Cal in any given month (see Figure HW-8). The number of people eligible for Medi-Cal in 1997-98 is now estimated to decline by 4.8 percent from the 1996-97 level. A further decline of about 2.9 percent to 4.95 million eligibles is expected to occur in 1998-99. This overall 7.6 percent decrease compares to a projected 3.6 percent increase in the State's population for the same two-year period. The number of persons eligible for Medi-Cal who are currently receiving AFDC/CalWorks cash grants has been declining since 1995 and this trend is expected to continue. This group represents about one-half of all Medi-Cal eligibles. The projected 1998-99 Medi-Cal public assistance caseload is 7 percent or 265,500 eligibles less than the 1997-98 caseload anticipated in the 1997 Budget Act.

FIGURE HW-7

**Changes in Medi-Cal Caseload and Costs,  
1991-92 through 1998-99**  
(Eligibles in Millions, Dollars in Billions)





Although total caseload is down, the portion of the caseload comprised of aged, blind, and disabled beneficiaries is growing nominally each year to slightly below 1.3 million beneficiaries in 1998-99. These beneficiaries represent 26 percent of all Medi-Cal eligibles.

Figure HW-9 reflects federal Health Care Financing Administration eligibility and expenditure data from federal fiscal year 1996 for the ten most populous states. Continuing with recent trends, California has one of the highest percentages of total population covered by Medicaid and has one of the lowest average cost-per-recipient rates in the nation—\$2,178 per beneficiary, versus a national average of \$3,466 per beneficiary.

**Benefits.** All states are required by the federal government to provide certain services including physician, nurse practitioner, and nurse-midwife services; hospital inpatient and outpatient services; specified nursing home care; laboratory and X-ray services; home health care; and early and periodic screening, diagnosis, and treatment services for children until age 21. These benefits are funded by roughly 52 percent federal funds and 48 percent state funds.

In addition, the federal government provides matching funds for 34 optional services. These services include: outpatient drugs, adult dental, optometry, hospice, chiropractic, and occupational therapy. All states provide some optional services, and many states (including California) provide these optional services both for categorically needy (receiving public assistance) and medically needy beneficiaries (not receiving public assistance, but still qualifying for Medi-Cal based on income and other eligibility factors).

California is second only to Wisconsin in the number of optional benefits provided to beneficiaries. Wisconsin provides 33 optional services while California provides 32. Of the ten most populous states, California (see Figure HW-10) provides the most optional services, followed by New Jersey

FIGURE HW-8

#### Average Monthly Medi-Cal Eligibles as a Percentage of California Population

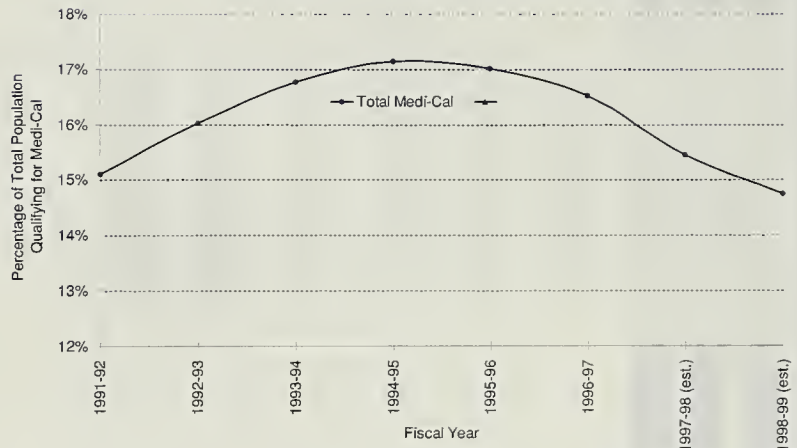


FIGURE HW-9

#### Medicaid Provider Payments and Number of Recipients for the Ten Most Populous States, 1996

	Medicaid Provider Payments (Dollars in Millions)		Medicaid Recipients (Data in Thousands)		Annual Dollar Cost per Recipient
	Medicaid Payments FFY 1996*	Percent of U.S. Total	Number of Recipients FFY 1996*	Percent of Jurisdiction's July 1996 Population	
All States	\$121,419.3	100.0	35,028	13.2	\$3,466
California	11,123.7	9.2	5,107	16.0	2,178
Texas	6,871.2	5.7	2,572	13.4	2,672
New York	22,347.3	18.4	3,281	18.0	6,811
Florida	4,670.1	3.8	1,638	11.4	2,851
Pennsylvania	4,663.4	3.8	1,168	9.7	3,993
Illinois	5,365.0	4.4	1,454	12.3	3,689
Ohio	5,511.9	4.5	1,478	13.2	3,729
Michigan	3,359.3	2.8	1,172	12.2	2,867
New Jersey	3,726.1	3.1	714	8.9	5,217
Georgia	3,085.2	2.5	1,185	16.1	2,604

\*Source: Health Care Financing Administration, September 1997

Excludes state-only payments and eligibles

(providing 28 optional services to categorically needy beneficiaries) and Michigan (providing 27 optional services to all Medicaid beneficiaries).

Medical costs vary considerably among the various categories of persons eligible for Medi-Cal. For example, a member of a Medi-Cal family eligible for CalWORKs is estimated to use benefits costing about \$100 per month in 1998-99, whereas a disabled person in long-term care will use about \$4,700 in benefits per month. These differences in costs are illustrated in Figure HW-11.

**Managed Care.** Currently, nearly 2.4 million Medi-Cal beneficiaries are enrolled in managed care plans, and DHS projects this to increase to 2.5 million beneficiaries by June 30, 1999 (see Figure HW-12). A \$1.9 million outreach campaign is planned for 1998-99 to assist Medi-Cal eligibles in their selection of plans and providers.

Managed care includes three major health care delivery systems: the two-plan model, Geographic Managed Care (GMC), and County Organized Health Systems (COHS).

- Just over 70 percent of all beneficiaries in managed care are enrolled in the two-plan model, the key delivery system model in managed care. The two-plan model was first implemented in January 1996. The DHS selected 12 counties to offer two managed care plans from which beneficiaries can choose. One plan, the "local initiative," is sponsored by a county-established agency, while the other, a "commercial" plan, is selected by the DHS through a competitive bidding process. The mainstream plan consists largely of commercial providers serving privately insured individuals. The local initiatives consist largely of providers having traditionally served the Medi-Cal population.
- The model assures continued participation by traditional providers and maximizes the number of different types of providers caring for beneficiaries. Full enrollment in the two-plan model is expected to occur in 1998-99 with approximately 1.8 million beneficiaries.
- The GMC model allows the State to contract with multiple managed care plans. The first GMC system was implemented in Sacramento in 1994. A second GMC system is expected to begin operation in San Diego County in 1998-99. The third model, the

FIGURE HW-10

## Number of Optional Benefits Provided by the Ten Most Populous States

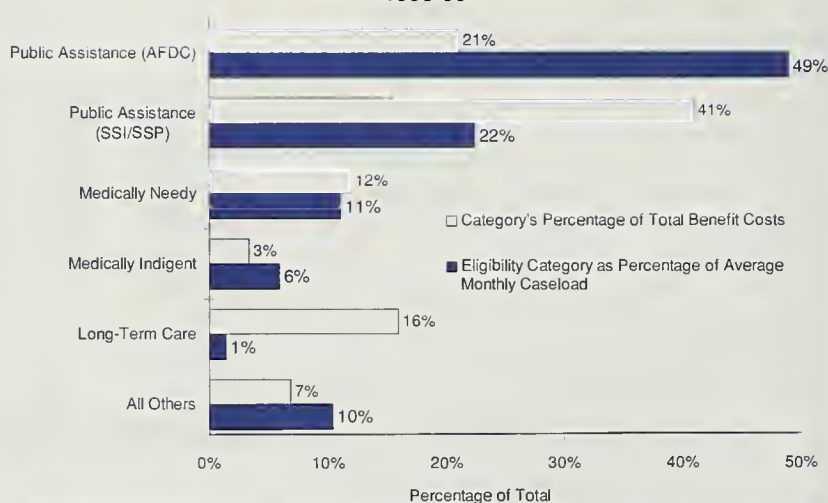
	Cash Grant Recipients	Medically Needy Recipients
California	32	32
Texas	23	23
New York	26	26
Florida	17	13
Pennsylvania	21	12
Illinois	20	20
Ohio <sup>1</sup>	27	--
Michigan	27	27
New Jersey	28	21
Georgia	22	22

Source: Health Care Financing Administration, October 1996

<sup>1</sup> Ohio operates under a demonstration project waiver

FIGURE HW-11

## Medi-Cal Cost by Eligibility Category 1998-99





COHS, administers a prepaid, comprehensive case managed health care delivery system. This system provides utilization control, claims administration, and Medi-Cal covered health care services to all Medi-Cal beneficiaries residing in the county. Five COHS's are currently in operation.

Although the managed care approach does not yield large savings in the near term, it helps improve access to comprehensive health care while controlling costs over the long term.

### Program Changes

**Medicare Lawsuits.** On December 2, 1997, the Ninth Circuit Court of Appeals found in favor of DHS in four related cases which challenged DHS's ability under existing federal law to limit Medi-Cal's share of the cost of services provided to persons who are eligible for both Medi-Cal and Medicare. As a result, the Budget reflects an estimated savings of \$188 million (\$94 million General Fund) in 1997-98 and \$225.8 million (\$112.4 million General Fund) in 1998-99.

**Federal Funding for Illegal Immigrants.** Federal law requires California to provide Medi-Cal benefits for emergency services, including labor and delivery, to illegal immigrants. Excluding state-only programs, costs for these services and associated state and county administrative expenses are projected to be \$660 million (\$315 million General Fund) in 1997-98 and \$655 million (\$308 million General Fund) in 1998-99 (see Figure HW-13). Federal law authorizes payments to states for the full cost of Medicaid emergency services to illegal immigrants, but the federal Balanced Budget Act of 1997 appropriated nationwide only \$25 million annually, for four years, for this purpose. California's allocation is expected to be about \$8.5 million in 1997-98 and \$11.3 million in 1998-99.

FIGURE HW-12

### Percentage of Medi-Cal Beneficiaries Enrolled in Managed Care Plans

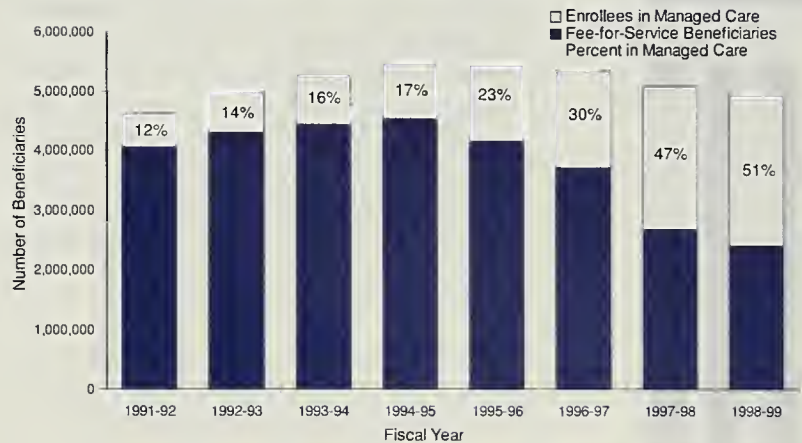
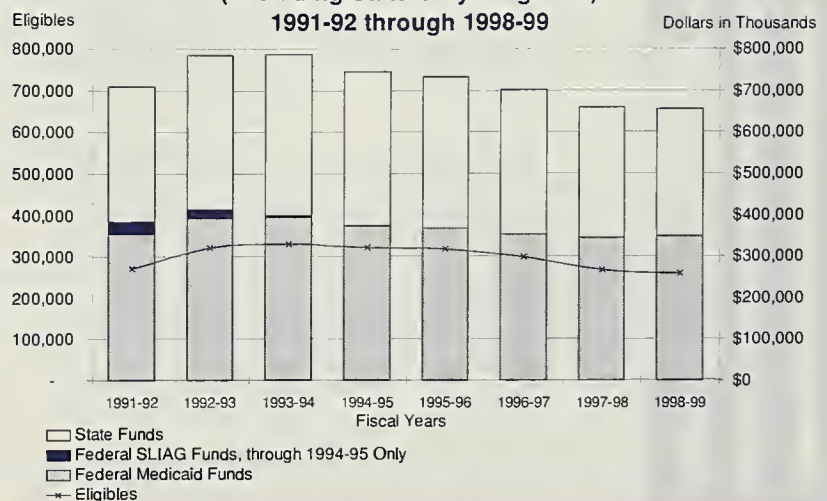


FIGURE HW-13

### Medi-Cal Illegal Immigrant Eligibles and Expenditures by Fund Source (Excluding State-Only Programs) 1991-92 through 1998-99





**New Qualified Nonexempt Aliens.** A category of legal immigrants federally defined as "qualified nonexempt aliens" who arrive in the United States on or after August 22, 1996, are now treated differently under Medicaid law than they were before passage of welfare reform. For the first five years they are in this country, the federal government will no longer participate in the costs of providing nonemergency services to these individuals. This federal law change results in a \$10.3 million decrease in federal financial participation for immigrant health care in 1997-98 and a \$25.3 million decrease in 1998-99. This shift from federal funding to the General Fund will grow to about \$57 million annually by the year 2001-02.

**Long-Term Care Services for Unqualified Aliens.** Federal law prohibits means-tested public benefit programs for illegal immigrants but requires the provision of emergency services in Medi-Cal. California law provides a state-only program of long-term care to illegal immigrants. Under a recent federal court decision, federal funding for services to about one-sixth of these beneficiaries may be continued on the basis that they represent emergency care. This will result in securing federal financial participation of about \$1.1 million of the total program costs of about \$13.5 million. Regulations to conform with the federal law and end the state-only portion of this program may be delayed until after various legal issues are resolved. In the interim, costs of continuing the state-only program remain in the Budget.

**Impact of Changes in the Department of Developmental Services (DDS) on the Medi-Cal Estimate.** The Budget includes \$59.7 million (\$29.7 million General Fund) in increased Medi-Cal expenditures to reflect the impact of major augmentations in DDS to improve services to the developmentally disabled in the developmental and regional centers.

**Long-Term Care Rate Adjustment.** Federal law no longer requires Medi-Cal to pay cost-based long-term care rates. California now has the option of implementing a different

method of determining long-term care payment rates. The Budget includes a cost-based rate increase for the rate period of August 1, 1997, through July 31, 1998. The DHS intends to convene representatives of all interested parties, including providers and resident advocates, to consider alternatives to the current rate setting process for 1998-99 and subsequent years.

**Licensing and Certification.** To further protect the health and safety of DDS clients whose residential and community treatment costs are paid for under Medi-Cal's Home and Community-Based Services waiver, \$1.2 million (\$739,000 General Fund) and 13 positions are included in the DHS budget to provide follow-up visits to newly licensed facilities, assist providers in preparing for licensure, add a developmental disabilities specialist to the licensing staff, and provide training for licensing staff to ensure effective and consistent licensing surveys.

## MANAGED RISK MEDICAL INSURANCE BOARD/ DEPARTMENT OF HEALTH SERVICES

### Healthy Families

Pursuant to Chapter 623, Statutes of 1997, California is now implementing Healthy Families—a program of health insurance coverage for children who are in families having incomes below 200 percent of poverty and who are not eligible for Medi-Cal or otherwise insured. This program will be administered by the Managed Risk Medical Insurance Board (MRMIB). Subject to pending federal approval of the state plan, the first children will be enrolled and receive Healthy Families benefits in July 1998. Like other MRMIB programs, Healthy Families will contract for coverage and for most program administrative functions. Nominal premiums and co-payments will be paid by participating families.

Monthly enrollment is projected to exceed 200,000 children by the end of the first year and climb to about 450,000 by the end of the second year. The Budget includes

\$100.5 million (\$34.1 million General Fund) for benefits in the first year. The DHS will coordinate closely with MRMIB to provide for referral of families by Child Health and Disability Prevention and California Children's Services Providers and to avoid overlap or duplication of services in the various programs serving low income children, including Medi-Cal.

### Medi-Cal

The Budget also includes \$80.8 million (\$24.7 million General Fund) in DHS to expand Medi-Cal coverage to uninsured children who will not be eligible for the Healthy Families program and to provide more outreach to attract children into both the expanded Medi-Cal program and the new Healthy Families program. Figure HW-14 displays the program costs by department for Local Assistance and State Support.

**Medi-Cal Eligibility.** Medi-Cal eligibility is expanded to include more uninsured children in 1998-99 at a cost of \$64.4 million (\$22 million General Fund). Medi-Cal coverage with no share of cost is expanded to include an additional 15,800 children between the ages of 6 through 18 in families with incomes below 100 percent of poverty. Additionally, resource limits for these children will be eliminated, adding an additional 34,000 children to the Program. Previously, children over the age of one in families owning more than a specified amount of property were ineligible to receive Medi-Cal services. Furthermore, Medi-Cal will extend one month of continued eligibility for children whose families become ineligible for Medi-Cal due to increased income. This change will allow about 52,000 children to continue Medi-Cal health benefits. The additional month of Medi-Cal eligibility will allow parents to enroll their children in the Healthy Families insurance program.

**Outreach.** The Budget includes \$21 million (\$5 million General Fund) for outreach contracts for a media campaign and community efforts to directly identify potential applicants and assist them in enrolling their

children in Medi-Cal or the new Healthy Families insurance program.

**Simplified Eligibility Determination.** Beginning as early as June 1998, the State will provide a simplified eligibility application package to be used for families applying on behalf of their children. The State will also allow those applicants applying for benefits on behalf of their children to apply by mail without a face-to-face interview. This simpler process could be used by the families of as many as 427,000 children. This simplified eligibility system will result in a county administrative savings of \$4.6 million (\$2.3 million General Fund) in 1998-99.

FIGURE HW-14

### Healthy Families Program and Related Expenditures (Dollars in Thousands)

	1997-98		1998-99	
	Total	GF	Total	GF
Managed Risk Medical Insurance Board (MRMIB)				
Support	\$1,635	\$558	\$2,258	\$767
Local Assistance	--	--	95,638	32,488
<b>Total MRMIB</b>	<b>\$1,635</b>	<b>\$558</b>	<b>\$97,896</b>	<b>\$33,255</b>
Department of Health Services (DHS)				
Support	\$1,387	\$414	\$1,649	\$497
Local Assistance:				
Eligibility Expansion	7,328	2,502	64,393	21,984
Mail-in Application Savings	-139	-69	-4,600	-2,300
Outreach	10,915	1,696	21,000	4,997
Total Local Assistance	18,104	4,129	80,793	24,681
<b>Total DHS</b>	<b>\$19,491</b>	<b>\$4,543</b>	<b>\$82,442</b>	<b>\$25,178</b>
<b>Total DHS and MRMIB</b>	<b>\$21,126</b>	<b>\$5,101</b>	<b>\$180,338</b>	<b>\$58,433</b>
Other				
Child Health and Disability Prevention	--	--	\$8,488	\$2,883
Access for Infants and Mothers	--	--	4,888	1,660
California Children's Services	--	--	7,303	1,497
<b>Total Other</b>	<b>--</b>	<b>--</b>	<b>\$20,679</b>	<b>\$6,040</b>
<b>Total Healthy Families</b>	<b>\$21,126</b>	<b>\$5,101</b>	<b>\$201,017</b>	<b>\$64,473</b>



## DEPARTMENT OF HEALTH SERVICES

## Public Health

The Budget expands effective health screening and treatment services, combats the spread of emerging infectious diseases, funds the significant growth in demand for AIDS drug treatment, and initiates a teen abstinence education and pregnancy prevention program.

**HIV/AIDS Program Expansion.** The 1997 Budget Act provided the Department of Health Services \$185.3 million (\$98 million General Fund) for HIV/AIDS prevention and treatment programs in California. These programs include drug treatment through the AIDS Drug Assistance Program (ADAP), education and prevention programs, epidemiological studies, no-cost HIV testing, early intervention, housing assistance, short-term insurance coverage, and planning and technical assistance. The Budget expands California's HIV/AIDS prevention and treatment programs by \$35.9 million, including

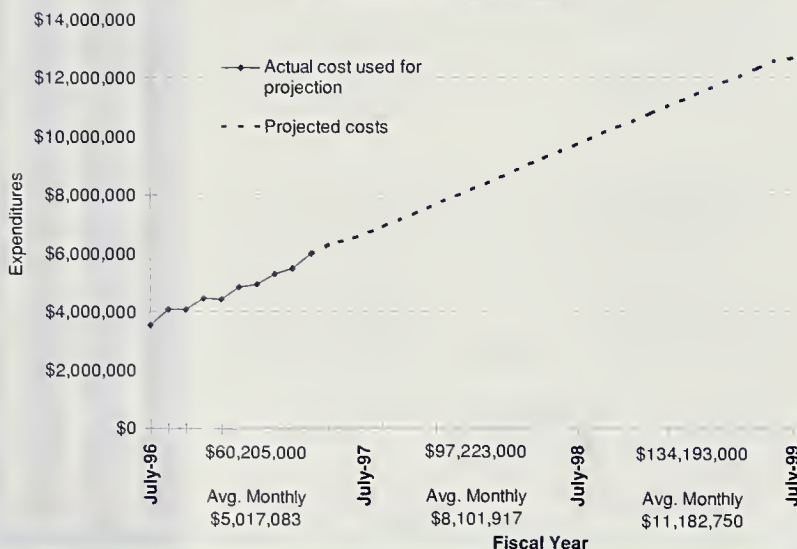
\$15.6 million General Fund. These funds will be used in ADAP to meet the significantly increasing demand for new and more effective drugs and address rising caseload costs due to a caseload increase from 22,000 in 1997-98 to over 25,000 in 1998-99 (see Figure HW-15).

**Childhood Lead Poisoning Prevention Program.** To continue to protect California's children from the adverse effects of lead poisoning, the Budget includes \$14.3 million, over two years, to expand the Childhood Lead Poisoning Prevention Program. This Program provides preventive screening and case management services for approximately 4,800 children with excessive blood lead levels. The additional funding will enhance access to services and improve monitoring.

**Emerging Infectious Diseases and Food Safety Control and Prevention.** To protect the public health and foster continued economic prosperity for California's vital agricultural and food industries, the Budget provides \$3.1 million General Fund to expand investigation and surveillance of infectious disease and food safety programs. Specifically, additional activities will help reduce the incidence of new, reemerging, or drug-resistant infections increasing in California, thereby controlling outbreaks and preventing avoidable hospital costs and business losses.

**Breast Cancer Early Detection Program.** To continue to protect the health of women, the Budget expands the Breast Cancer Early Detection Program by \$11.2 million, over two years, to provide screening services for an additional 47,000 women in 1997-98 and 130,000 women in 1998-99. The Budget proposes a total of \$31.4 million for 286,000 screenings and contains \$1.3 million to improve the quality and accuracy of screenings. The additional funding will enhance referral and other ancillary services related to breast cancer prevention for the purpose of improving health outcomes. These services will be supported through a combination of available Breast Cancer Control Account and Cigarette and Tobacco Products Surtax Fund resources.

FIGURE HW-15

AIDS Drug Assistance Program (ADAP)  
Monthly Expenditures



**Cancer Research Program.** The Budget extends the Administration's commitment to preventive services by increasing allocations for ovarian and prostate cancer research grants from \$2 million in 1997-98 to \$25 million. After heart disease, cancer is the second leading cause of death in California. Each year, approximately 120,000 new cases of cancer are diagnosed in the State. Prostate cancer is the leading condition diagnosed in California with 23,000 projected new cases and approximately 3,300 deaths annually in California. Ovarian cancer is one of the leading causes of cancer-related death in women in California with 2,700 projected new cases diagnosed and approximately 1,475 deaths annually. These additional funds will be spent for researching the causes, prevention, early detection, diagnosis, and treatment of these gender-specific cancers that have not previously received state funding.

**Teen Abstinence.** The Budget includes \$7.2 million in federal funds, which would be matched at a 3:4 (local/federal) rate by voluntary local contributions, to initiate a teen and unwed abstinence education and pregnancy prevention program. These funds would supplement base resources available through the Partnership for Responsible Parenting Initiative. A competitive grants process for locally developed projects will be conducted for the program.

**Newborn Hearing Screening.** Through the Early Childhood Development Initiative, all California Children's Services (CCS)-approved hospitals will be required to offer hearing screening services to all newborns. The Budget includes \$6.1 million (\$3.5 million General Fund) to fund these screenings for those children eligible for Medi-Cal and CCS. In 1998-99, 58,000 newborns will have hearing screenings performed as a Medi-Cal or CCS

FIGURE HW-16

**Cigarette and Tobacco Products Surtax Fund  
Revenues and Expenditures - 1996-97 Actual  
(Dollars in Thousands)**

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	—	\$116,345	\$21,011	\$1,759	\$61,418	\$4,036	\$10,526	\$215,095
Prior Year Adjustment	—	3,747	2,081	932	-10,999	4,182	2,884	2,827
Revenues	\$949	92,330	161,683	46,194	23,098	23,098	115,488	462,900
Interest	—	9,166	1,248	407	3,851	339	3,102	18,113
<b>Total Revenues</b>	<b>\$949</b>	<b>\$221,648</b>	<b>\$186,023</b>	<b>\$49,292</b>	<b>\$77,368</b>	<b>\$31,655</b>	<b>\$132,000</b>	<b>\$698,935</b>
<b>Transfers:</b>								
Access for Infants and Mothers	—	—	-\$23,503	-\$12,166	—	—	-\$3,831	-\$39,500
Major Risk Medical Insurance Program	—	—	-18,000	-11,000	—	—	-1,000	-30,000
Habitat Conservation Fund	—	—	—	—	—	-3,992	-11,506	-15,498
<b>Total Transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$41,503</b>	<b>-\$23,166</b>	<b>\$0</b>	<b>-\$3,992</b>	<b>-\$16,337</b>	<b>-\$84,998</b>
<b>Net Resources</b>	<b>\$949</b>	<b>\$221,648</b>	<b>\$144,520</b>	<b>\$26,126</b>	<b>\$77,368</b>	<b>\$27,663</b>	<b>\$115,663</b>	<b>\$613,937</b>
<b>Expenditures:</b>								
Department of Health Services	—	\$77,328	\$127,521	\$21,774	\$3,618	—	\$80,295	\$310,536
Department of Education	—	31,974	—	—	—	—	—	31,974
University of California	—	—	—	—	4,507	—	—	4,507
California Conservation Corps	—	—	—	—	—	\$243	—	243
Forestry and Fire Protection	—	—	—	—	—	325	—	325
Fish and Game	—	—	—	—	—	6,509	—	6,509
Parks and Recreation	—	—	—	—	—	12,091	—	12,091
Water Resources Control Board	—	—	—	—	—	703	—	703
State Coastal Conservancy	—	—	—	—	—	4	—	4
Board of Equalization	\$949	—	—	—	—	—	—	949
Office of Statewide Health Planning	—	—	2,500	—	—	—	2,486	4,986
Direct Pro Rata Charges	—	577	21	5	205	—	—	808
<b>Total Expenditures</b>	<b>\$949</b>	<b>\$109,879</b>	<b>\$130,042</b>	<b>\$21,779</b>	<b>\$8,330</b>	<b>\$19,875</b>	<b>\$82,781</b>	<b>\$373,635</b>
<b>Reserve</b>	<b>\$0</b>	<b>\$111,769</b>	<b>\$14,478</b>	<b>\$4,347</b>	<b>\$69,038</b>	<b>\$7,788</b>	<b>\$32,882</b>	<b>\$240,302</b>

FIGURE HW-17

**Cigarette and Tobacco Products Surtax Fund  
Revenues and Expenditures - 1997-98 Estimated  
(Dollars in Thousands)**

<b>Revenues:</b>	<b>Board of Equalization</b>	<b>Health Education Account</b>	<b>Hospital Services Account</b>	<b>Physicians' Services Account</b>	<b>Research Account</b>	<b>Public Resources Account</b>	<b>Unallocated Account</b>	<b>Total</b>
Beginning Balance	—	\$111,769	\$14,478	\$4,347	\$69,038	\$7,788	\$32,882	\$240,302
Revenues	\$1,263	90,327	158,073	45,164	22,582	22,582	112,909	452,900
Interest	—	3,165	1,078	196	890	233	1,041	6,603
<b>Total Revenues</b>	<b>\$1,263</b>	<b>\$205,261</b>	<b>\$173,629</b>	<b>\$49,707</b>	<b>\$92,510</b>	<b>\$30,603</b>	<b>\$146,832</b>	<b>\$699,805</b>
<b>Transfers:</b>								
Access for Infants and Mothers	—	—	-\$19,315	-\$12,060	—	—	-\$5,675	-\$37,050
Major Risk Medical Insurance	—	—	-18,000	-15,033	—	—	-6,967	-40,000
Habitat Conservation Fund	—	—	—	—	—	—	-11,395	-11,395
<b>Total Transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$37,315</b>	<b>-\$27,093</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$24,037</b>	<b>-\$88,445</b>
<b>Net Resources</b>	<b>\$1,263</b>	<b>\$205,261</b>	<b>\$136,314</b>	<b>\$22,614</b>	<b>\$92,510</b>	<b>\$30,603</b>	<b>\$122,795</b>	<b>\$611,360</b>
<b>Expenditures:</b>								
Department of Health Services	—	\$112,284	\$127,521	\$19,879	\$3,775	—	\$108,275	\$371,734
Department of Education	—	46,201	—	—	—	—	—	46,201
University of California	—	—	—	—	80,743	—	—	80,743
California Conservation Corps	—	—	—	—	—	\$245	—	245
Forestry and Fire Protection	—	—	—	—	—	325	—	325
Fish and Game	—	—	—	—	—	6,152	—	6,152
State Coastal Conservancy	—	—	—	—	—	96	—	96
Parks and Recreation	—	—	—	—	—	16,451	—	16,451
Water Resources Control Board	—	—	—	—	—	725	—	725
Board of Equalization	\$1,263	—	—	—	—	—	—	1,263
Office of Statewide Health Planning	—	—	—	—	—	—	1,903	1,903
Direct Pro Rata Charges	—	857	18	5	40	—	1	921
<b>Total Expenditures</b>	<b>\$1,263</b>	<b>\$159,342</b>	<b>\$127,539</b>	<b>\$19,884</b>	<b>\$84,558</b>	<b>\$23,994</b>	<b>\$110,179</b>	<b>\$526,759</b>
<b>Reserve for Carryover (Prior Years)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$4,409</b>	<b>\$0</b>	<b>-\$4,409</b>
<b>Reserve</b>	<b>\$0</b>	<b>\$45,919</b>	<b>\$8,775</b>	<b>\$2,730</b>	<b>\$7,952</b>	<b>\$2,200</b>	<b>\$12,616</b>	<b>\$80,192</b>

FIGURE HW-18

**Cigarette and Tobacco Products Surtax Fund  
Revenues and Expenditures - 1998-99 Estimated  
(Dollars in Thousands)**

<b>Revenues:</b>	<b>Board of Equalization</b>	<b>Health Education Account</b>	<b>Hospital Services Account</b>	<b>Physicians' Services Account</b>	<b>Research Account</b>	<b>Public Resources Account</b>	<b>Unallocated Account</b>	<b>Total</b>
Beginning Balance	—	\$45,919	\$8,775	\$2,730	\$7,952	\$2,200	\$12,616	\$80,192
Revenues	\$1,214	88,957	155,675	44,479	22,239	22,239	111,197	446,000
Interest	—	2,211	1,026	186	531	219	866	5,039
<b>Total Revenues</b>	<b>\$1,214</b>	<b>\$137,087</b>	<b>\$165,476</b>	<b>\$47,395</b>	<b>\$30,722</b>	<b>\$24,658</b>	<b>\$124,679</b>	<b>\$531,231</b>
<b>Transfers:</b>								
Access for Infants and Mothers	—	—	-\$17,349	-\$12,071	—	—	-\$2,742	-\$32,162
Major Risk Medical Insurance	—	—	-18,000	-15,033	—	—	-6,967	-40,000
Habitat Conservation Fund	—	—	—	—	—	—	-11,205	-11,205
<b>Total Transfers</b>	<b>—</b>	<b>—</b>	<b>-\$35,349</b>	<b>-\$27,104</b>	<b>—</b>	<b>—</b>	<b>-\$20,914</b>	<b>-\$83,367</b>
<b>Net Resources</b>	<b>\$1,214</b>	<b>\$137,087</b>	<b>\$130,127</b>	<b>\$20,291</b>	<b>\$30,722</b>	<b>\$24,658</b>	<b>\$103,765</b>	<b>\$447,864</b>
<b>Expenditures:</b>								
Department of Health Services	—	\$67,208	\$127,496	\$19,879	\$3,738	—	\$99,592	\$317,913
Department of Education	—	33,322	—	—	—	800	—	34,122
University of California	—	—	—	—	19,289	—	—	19,289
California Conservation Corps	—	—	—	—	—	\$252	—	252
Forestry and Fire Protection	—	—	—	—	—	325	—	325
Fish and Game	—	—	—	—	—	6,695	—	6,695
Department of Conservation	—	—	—	—	—	2,000	—	2,000
Parks and Recreation	—	—	—	—	—	11,670	—	11,670
Water Resources Control Board	—	—	—	—	—	1,655	—	1,655
Board of Equalization	\$1,214	—	—	—	—	—	—	1,214
Office of Statewide Health Planning	—	—	—	—	—	—	2,000	2,000
Direct Pro Rata Charges	—	1,284	28	6	81	—	98	1,497
<b>Total Expenditures</b>	<b>\$1,214</b>	<b>\$101,814</b>	<b>\$127,524</b>	<b>\$19,885</b>	<b>\$23,108</b>	<b>\$23,397</b>	<b>\$101,690</b>	<b>\$398,632</b>
<b>Reserve</b>	<b>—</b>	<b>\$35,273</b>	<b>\$2,603</b>	<b>\$406</b>	<b>\$7,614</b>	<b>\$1,261</b>	<b>\$2,075</b>	<b>\$49,232</b>



benefit. The program will provide access to hearing screenings for approximately 70 percent of all newborns in California (392,000) upon full implementation. In addition, three regional intervention centers will provide training, education, outreach, and referral services to health care providers and parents.

**Family Information Services.** The Early Childhood Development Initiative also includes \$3.1 million (\$2.9 million General Fund) to provide family information services. Families will have access to information on childhood development and parenting services that they need and request.

**Proposition 99 Expenditure Plan.** Legislation enacted during 1997-98 permanently authorized the health education, indigent health care, and tobacco-related disease research programs established in response to the Tobacco Tax and Health Protection Act of 1988 (Proposition 99) and supported since by tobacco tax revenues.

For 1997-98, revenues are estimated to be \$452.9 million. Past year revenues, interest earnings, and prior year reserves are also higher than projected. In addition, statutorily authorized carryover from prior year funds for specified programs is reflected in the revised 1997-98 expenditures which total \$607 million. Accordingly, resources are sufficient to maintain 1997-98 funding levels for county indigent health and other programs funded with tobacco tax revenues.

For 1998-99, estimated revenues will decline by 1.5 percent to \$446 million. Reduced resource availability due to the elimination of one-time funds (unrestricted reserves, prior year adjustments, and carryovers from prior year funds) for 1997-98 will provide \$137 million less than in 1997-98. The expenditures include: \$67.7 million for anti-tobacco education programs, \$19.3 million for tobacco-related disease research, \$49.9 million for the Child Health and Disability Prevention Program, and \$179.6 million for clinic and county indigent health programs. Further, the Budget adds \$2 million to continue support for the Rural Health Grants program supported with one-time

funds in 1997-98. These expenditures will enhance rural health care services and assist planning efforts associated with implementation of the new Healthy Families program. Additionally, the Budget provides \$8.7 million for the Breast Cancer Early Detection Program including \$7.4 million for screening services and \$1.3 million for enhanced quality assurance (see Figures HW-16, HW-17, and HW-18).

**Richmond Laboratory Facility, Capital Outlay.** The DHS's Prevention Services laboratories provide various analytical, epidemiological, diagnostic, and quality control functions. The Berkeley facility is too small and inefficient to ensure the continued safe and effective performance of these public health functions. A new facility has been authorized for construction in Richmond to replace the Berkeley lab. Construction on Phase I is scheduled to begin in June 1998. This project will provide 160,000 square feet and will be completed in the year 2000. The Budget proposes funding of \$115.7 million (lease revenue) for Phase II which will provide an additional 332,000 square feet and is scheduled for completion in the year 2001.

## DEPARTMENT OF MENTAL HEALTH

### Sexually Violent Predator Program

The Sexually Violent Predator (SVP) Program, established by Chapter 763, Statutes of 1995, is operated by the Department of Mental Health (DMH) in cooperation with the California Department of Corrections (CDC) and the Board of Prison Terms. The Program identifies and evaluates dangerous repeat offenders prior to release from prison and, when appropriate, refers them to trial for civil commitment. If a trial court finds that an offender is a danger to the health and safety of others and is likely to engage in sexually violent criminal behavior upon release from prison, the offender is civilly committed for two years. At the end of the two-year commitment, the individual is re-evaluated and, if determined to still be a threat to public safety, may be recommitted for an additional two-year term. When the



person's mental disorder is controlled so that the threat of sexual violence is no longer likely, the person is released.

There are currently 72 persons committed to the treatment program at Atascadero State Hospital (ASH) and 133 people placed in state hospitals by court order awaiting disposition of their cases (pre-commitments).

The Budget assumes that California's SVP statute will be ruled constitutional and that the SVP population will continue to increase at a steady rate reaching 321 commitments by June 30, 1999. The Budget provides a total of \$24.6 million in 1998-99 for the housing and treatment of these SVPs.

## State Hospital Population

The 1998-99 year-end population for Judicial Code, Penal Code, and SVP commitments to the state hospitals is estimated to be 2,681, an increase of 338 above the year-end 1997-98 budgeted population. The Budget includes \$18.1 million General Fund (half-year funding) for this increase in population. The number of Lanterman-Petris-Short beds to be purchased by the counties will be 932, a decrease of 138 from the 1997-98 purchase level. The Budget reflects a reduction of \$14.6 million in county reimbursements to the state hospitals consistent with this decrease in population. Due to the SVP increase and the need to house these patients at ASH, the Budget assumes a reduction in the number of beds which DMH provides for CDC. A decrease of 121 beds, to a total of 346, and a corresponding reduction of \$7.4 million in reimbursements from CDC reflect this population change. This bed decrease is facilitated by the conversion of space currently used for 60 day-treatment beds in the CDC Vacaville Inpatient Program to space for 90 inpatient beds. Mental health treatment for these prisoners will be provided by 57 new positions added to the DMH budget funded with CDC reimbursements of \$2.6 million.

## Capital Outlay

The Judicially Committed and Penal Code patient subtotal of the overall state hospital population is expected to continue to increase over the next decade. The Budget, therefore, plans \$33 million in lease revenue for the construction phase of the previously proposed 250-bed hospital addition at ASH and \$984,000 for preliminary plans for a second 250-bed addition at ASH.

The Budget also proposes funding for fire/life safety and environmental improvements at both Patton and Metropolitan State Hospitals.

## Mental Health Managed Care Program

Chapter 633, Statutes of 1994, established the Mental Health Managed Care Program and transferred responsibility for the provision of Medi-Cal psychiatric inpatient care from the Department of Health Services to DMH. The Budget provides \$136 million General Fund for inpatient psychiatric services provided through the Mental Health Managed Care Program.

In accordance with Chapter 197, Statutes of 1996, the transfer of responsibility and funding for the Medi-Cal fee-for-service specialty mental health services was completed on October 1, 1997. County mental health departments are now responsible for mental health treatment provided by psychiatrists, psychologists, outpatient clinics, outpatient hospitals, and nursing facilities. The Budget provides \$26.6 million General Fund for the specialty mental health services provided through the Mental Health Managed Care Program.

## DEPARTMENT OF DEVELOPMENTAL SERVICES

The Budget proposes a major initiative to increase oversight and the quality of services provided to the developmentally disabled in both the developmental centers and in the community through the regional centers.

### Developmental Center Staffing Augmentations

Based on recent surveys of Fairview and Porterville Developmental Centers, the Budget initiates a four-year plan to make major improvements in the developmental centers related to the provision of active treatment addressed by the Health Care Financing Administration. The four-year plan will meet the federal requirements and provide improved client services and more intensive treatment by increasing the number of physicians, and nursing, therapy, and other direct care staff. In total, the four-year plan adds approximately 1,700 positions at a cost of approximately \$105 million to meet the needs of the clients residing in developmental centers. The 1998-99 augmentations include \$31.1 million (\$16.5 million General Fund) for the first year of the plan. These funds will be used for the following:

**Direct Care Staff.** The Budget proposes to meet the need for direct care by including \$2.2 million (\$1.2 million General Fund) to fill approximately 100 level-of-care nursing positions which have been redirected for use as residence managers. The Budget assumes that these additional positions, as well as those referenced in the three items below, will be phased in during the fiscal year, therefore, partial year funding is provided.

**Additional Staffing.** The Budget proposes additional staffing to provide more intensive treatment and increased medical services to clients. For active treatment and behavioral services, 402 positions are proposed at a cost of \$8.4 million (\$4.5 million General Fund). Also, 36 positions at a cost of \$4.9 million (\$2.6 million General Fund) are proposed for medical and therapy services (physicians, specialists, nurse practitioners, and respiratory therapists).

**Community Transition Teams.** Transitioning clients from the developmental centers into community placements is increasingly difficult as the clients currently in the developmental centers require more specialized assistance to live in the community. Therefore, the Budget includes \$767,000

(\$407,000 General Fund) and 29 positions to provide additional transitional services.

**Forensics Staffing.** The Budget includes \$655,000 (\$348,000 General Fund) and 33 positions for the Porterville Developmental Center to meet increased security needs related to the housing of forensic clients.

**Salary Savings Relief.** The Budget includes \$14.1 million (\$7.5 million General Fund) to reduce the salary savings rate to five percent. This funding will enable the developmental centers to fill 115 personnel years previously held vacant to meet the budgeted salary savings rate and fill approximately 240 positions (\$8.8 million) held vacant to provide client-related operating expenses (food, clothing, medications, and specialized equipment).

### Developmental Center Population

**Adjustments.** The beginning year population for 1998-99 was previously projected to be 3,612. However, due to a slowdown in placing clients from the developmental centers into the community, the beginning population is now projected to be 133 clients higher, resulting in a need for increased funding. The Budget assumes a reduction of 247 clients from this increased base during the 1998-99 fiscal year. The net result of these adjustments is an increase of \$3 million (\$1.6 million General Fund) and 74 positions.

### Regional Center Augmentations

The Budget includes \$114.9 million (\$95.2 million General Fund) to fund costs associated with increasing caseload, the full-year cost of minimum wage increases, and increasing costs due to more severely disabled clients moving from the developmental centers. Additionally, the Budget includes funding to improve the Medicaid Home and Community-Based Services Waiver Program for the developmentally disabled.



FIGURE HW-19

**State-Local Realignment**  
**1996-97 Estimated Revenues and Expenditures<sup>1</sup>**  
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$767,326	\$283,201	\$557,975	\$1,608,502
Vehicle License Fee Account	50,251	750,558	10,844	811,653
<b>Total Base</b>	<b>\$817,577</b>	<b>\$1,033,759</b>	<b>\$568,819</b>	<b>\$2,420,155</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:	\$13,651	\$21,157	\$46,869	\$81,677
Caseload Subaccount	—	—	(45,028)	(45,028)
Indigent Health Equity Subaccount	—	(1,648)	—	(1,648)
Community Health Equity Subaccount	—	(4,035)	—	(4,035)
Mental Health Equity Subaccount	(1,304)	—	—	(1,304)
State Hospital Mental Health Equity Subaccount	(2,314)	—	—	(2,314)
County Medical Services Subaccount	—	(3,289)	—	(3,289)
General Growth Subaccount	(9,060)	(10,462)	(1,841)	(21,362)
Special Equity Subaccount	(973)	(1,724)	—	(2,697)
Vehicle License Fee Growth Account	14,430	22,524	1,954	\$38,908
<b>Total Growth</b>	<b>\$28,081</b>	<b>\$43,681</b>	<b>\$48,823</b>	<b>\$120,585</b>
<b>Total Realignment<sup>2</sup></b>	<b>\$845,658</b>	<b>\$1,077,441</b>	<b>\$617,642</b>	<b>\$2,540,740</b>

<sup>1</sup> Totals may not add, due to rounding

<sup>2</sup> Does not include \$14 million in Vehicle License Collection Account monies since these are not derived from realignment revenue sources.

FIGURE HW-20

**State-Local Realignment**  
**1997-98 Estimated Revenues and Expenditures<sup>1</sup>**  
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$780,977	\$304,358	\$604,844	\$1,690,179
Vehicle License Fee Account	64,681	773,082	12,798	850,561
<b>Total Base</b>	<b>\$845,659</b>	<b>\$1,077,439</b>	<b>\$617,642</b>	<b>\$2,540,740</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:	\$36,872	\$51,676	\$5,075	\$93,623
Indigent Health Equity Subaccount	—	(4,542)	—	(4,542)
Community Health Equity Subaccount	—	(11,123)	—	(11,123)
Mental Health Equity Subaccount	(3,594)	—	—	(3,594)
State Hospital Mental Health Equity Subaccount	(6,381)	—	—	(6,381)
County Medical Services Subaccount	—	(3,770)	—	(3,770)
General Growth Subaccount	(24,979)	(28,845)	(5,075)	(58,898)
Special Equity Subaccount	(1,918)	(3,396)	—	(5,314)
Vehicle License Fee Growth Account	17,150	24,167	2,368	43,686
<b>Total Growth</b>	<b>\$54,022</b>	<b>\$75,844</b>	<b>\$7,443</b>	<b>\$137,309</b>
<b>Total Realignment<sup>2</sup></b>	<b>\$899,681</b>	<b>\$1,153,284</b>	<b>\$625,084</b>	<b>\$2,678,049</b>

<sup>1</sup> Totals may not add, due to rounding

<sup>2</sup> Does not include \$14 million in Vehicle License Collection Account monies since these are not derived from realignment revenue sources.

**Case Management Staffing.** The Budget includes \$31.1 million (\$20.7 million General Fund) for the initial year of a two-year plan to provide a total of 800 additional case managers in the regional centers. This funding increase over two years will result in greater client contact and increased monitoring and oversight.

**Training Programs and Wage Increases.** To provide higher quality services to clients in community care facilities, the direct care staff of these facilities will be required to either pass a competency test or complete two training classes of 35 hours each, followed by a competency test, over a two-year period. Direct care staff would receive a ten percent pay increase upon successful completion of each class or passing a competency test. The Budget provides \$19.8 million (\$14.5 million General Fund) to develop the training instruments/tests, provide the training, and provide the employee wage increases through facility rate increases.

**Licensing Oversight.** In addition to increased funding in the DDS budget, the Budget augments the Departments of Health Services (DHS) and Social Services (DSS) budgets to increase licensing oversight of community facilities. The specific details of these augmentations are contained within the DHS and DSS sections of this Chapter.

## DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

**California Mentor Program.** The Budget proposes \$2 million (\$1 million General Fund and \$1 million federal funds) to continue and expand the California Mentor Program in the Department of Community Services and Development. The funds will be used to match approximately 3,000 of the 83,000 children on the waiting list for mentors. Statewide, the mentoring program is being increased from \$8.5 million to \$14.5 million. The Administration is committed to continue placing at-risk children with successful role models in efforts to assist these children to develop into independent and caring adults.



## DEPARTMENT OF AGING

The Budget provides \$12.2 million (\$9.1 million General Fund) in 1998-99 to expand the availability of senior services to unserved geographic planning and service areas. These services will be prevention-oriented alternatives to institutional care which promise a better home and community-based quality of life to seniors and the frail elderly. This funding will expand Adult Day Health Care (\$900,000), the Multipurpose Senior Services Program (\$5.6 million), and Community-Based Services Programs (\$4.6 million)—including, Alzheimer's Day Care, Linkages, Foster Grandparent, Senior Companion, Brown Bag Program, and Respite Services and will provide for local and state administration (\$1.1 million) of these programs. This augmentation will create an infrastructure necessary to ensure that current and future service demands are accessible to qualifying seniors in more areas of the State.

## STATE-LOCAL REALIGNMENT

The State-Local Realignment Initiative of 1991 restructured the state/county partnership in a number of health, mental health, and social services programs. Funding responsibility for certain programs was transferred from the State to the counties. The Initiative also provided an ongoing revenue source for counties by establishing a new one-half-cent sales tax and an increase in motor vehicle license fees.

Total realignment revenues for 1997-98 are estimated to be \$2.7 billion (\$1.8 billion sales tax revenues and \$894 million vehicle license fees). A total of \$2.6 billion will be available to fund the realignment base budget. An additional \$137 million will be available to fund caseload growth plus growth for the equity, general growth, and County Medical Services subaccounts.

Total realignment revenues in 1998-99 are estimated to be \$2.8 billion (\$1.9 billion sales tax revenues and \$939 million vehicle license fees). Of this amount, approximately \$2.7 billion will fund the realignment base budget with \$125 million available to fund caseload growth plus growth for the equity, general growth, and County Medical Services subaccounts (see Figures HW-19 through 21).

FIGURE HW-21

**State-Local Realignment**  
**1998-99 Estimated Revenues and Expenditures<sup>1</sup>**  
 (Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$817,849	\$356,035	\$609,918	\$1,783,802
Vehicle License Fee Account	81,832	797,249	15,166	894,247
<b>Total Base</b>	<b>\$899,681</b>	<b>\$1,153,284</b>	<b>\$625,084</b>	<b>\$2,678,049</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:	\$31,944	\$43,919	\$4,638	\$80,500
Indigent Health Equity Subaccount	—	(4,151)	—	(4,151)
Community Health Equity Subaccount	—	(10,165)	—	(10,165)
Mental Health Equity Subaccount	(3,285)	—	—	(3,285)
State Hospital Mental Health Equity Subaccount	(5,831)	—	—	(5,831)
County Medical Services Subaccount	—	(3,242)	—	(3,242)
General Growth Subaccount	(22,827)	(26,360)	(4,638)	(53,825)
Special Equity Subaccount	—	—	—	—
Vehicle License Fee Growth Account	17,796	24,467	2,584	44,847
<b>Total Growth</b>	<b>\$49,740</b>	<b>\$68,386</b>	<b>\$7,221</b>	<b>\$125,347</b>
<b>Total Realignment<sup>2</sup></b>	<b>\$949,421</b>	<b>\$1,221,670</b>	<b>\$632,306</b>	<b>\$2,803,396</b>

<sup>1</sup> Totals may not add, due to rounding

<sup>2</sup> Does not include \$14 million in Vehicle License Collection Account monies since these are not derived from realignment revenue sources.



# PUBLIC SAFETY

The criminal justice program funding in the 1998-99 Governor's Budget reflects a continued commitment to maintain public safety as a top priority. Funding to support the various programs within the Youth and Adult Correctional Agency, Department of Justice, Office of Criminal Justice Planning, Commission on Peace Officer Standards and Training, and the California Highway Patrol will grow to approximately \$6.4 billion. This amount reflects a 2.9-percent increase over the revised fiscal year 1997-98 budget.

## YOUTH AND ADULT CORRECTIONAL AGENCY

The Secretary for the Youth and Adult Correctional Agency is charged with responsibility for providing day-to-day policy direction and broad administrative guidance to the departments that deliver youth and adult detention services including the Department of Corrections, Board of Prison Terms, Department of the Youth Authority, Youthful Offender Parole Board, and the Board of Corrections. The Secretary also provides oversight for the Prison Industry Authority, Narcotic Addict Evaluation Authority, the Office of the Inspector General, and the Commission on Correctional Peace Officers' Standards and Training.

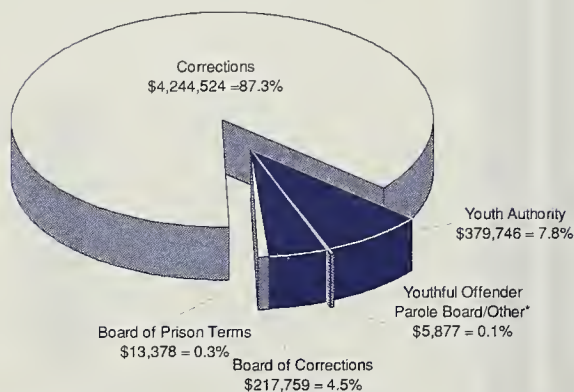
As shown in Figure PUB-1, funding for these programs will total approximately \$4.9 billion in 1998-99. This amount reflects a

4.1-percent increase over the revised 1997-98 budget.

**Office of the Inspector General.** An augmentation of \$775,000 General Fund and 6 personnel years is included to expand the Office of Inspector General. Chapter 766, Statutes of 1994 created the Office of the Inspector General, and specifies responsibilities for reviewing departmental policy and procedures for conducting investigations and audits of investigatory practices and other audits and investigations of the departments within the Agency.

FIGURE PUB-1

Youth and Adult Correctional Agency  
Proposed 1998-99 Expenditures  
All Funds  
(Dollars in Thousands)



\* Includes Agency Secretary

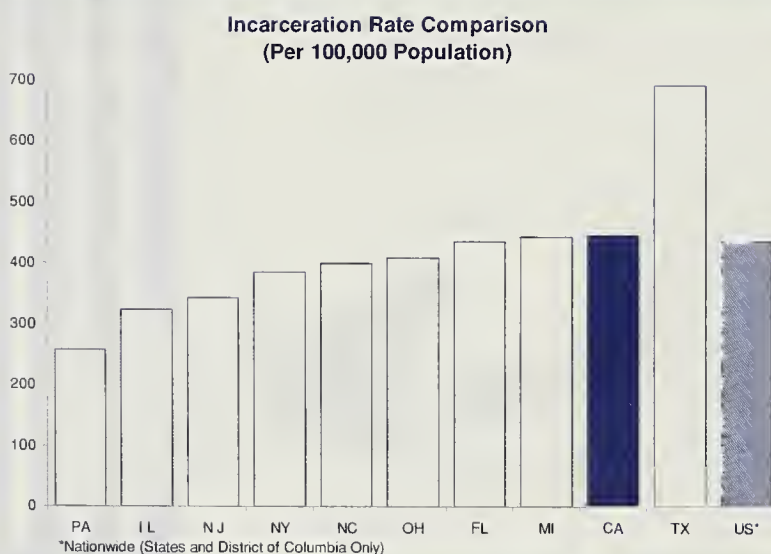


**Commission on Correctional Peace Officer Standards and Training.** \$461,000 General Fund and 3 personnel years is proposed to staff the Commission on Correctional Peace Officer Standards and Training to develop, approve, and monitor the selection and training of state correctional officers and apprentices.

FIGURE PUB-2



FIGURE PUB-3



## DEPARTMENT OF CORRECTIONS

The Department of Corrections (CDC) is responsible for the incarceration of convicted felons and for the supervision of these felons after their release on parole. CDC is committed to providing safe and secure detention facilities which protect society from further criminal activities, and necessary support services to inmates, including feeding, clothing, academic and vocational training, and health care.

CDC's inmate population is projected to increase from 161,912 on June 30, 1998, to 171,610 by June 30, 1999, an increase of 9,698 inmates, or 6 percent. The parole population is projected to increase from 106,503 on June 30, 1998, to 111,426 by June 30, 1999, an increase of 4,923 parolees, or 4.6 percent (see Figure PUB-2). The Budget proposes \$4 billion and 44,266 personnel years for state operations and local assistance programs to accommodate these expanding populations. This is an increase of \$196 million and 2,039 personnel years over the revised 1997-98 Budget. In 1998-99, incarceration and parole services will be provided through 33 institutions (including 12 receptions centers), 38 camps, and 56 community correctional facilities.

California has an incarceration rate of 444 inmates per 100,000 population, compared to a nationwide average rate of 433 inmates per 100,000, and is ranked 10th among the 50 states and the District of Columbia (see Figure PUB-3). Although California has the largest inmate population in the United States, on a per-inmate basis California's institutions are operated with fewer uniformed staff than most other states. Adequate funding for state prison operations ensures the safety of not only the public, but also the officers who supervise confined criminals.

**Year 2000 Century Change Information Systems Requirements.** An allocation of \$3.3 million General Fund for 1997-98 from the Year 2000 funding appropriated for allocation to state entities by the Department of

Finance, and an augmentation \$862,000 General Fund for 1998-99 has been provided to make the Department's existing information technology systems Year 2000 compliant.

**Community Correctional Facility (CCF) Program—Additional Facility Contracts.** The Administration proposes to contract for the first 5,000 beds of a total 15,000 Community Correctional Facility beds, beginning in June of 1999. Funding of \$9.1 million General Fund and 33 personnel years (178 positions) are proposed for 1998-99.

**Expansion of External Auditing Programs.** As part of a comprehensive program to enhance internal oversight procedures within the Department, the Budget includes an augmentation of \$1.5 million General Fund for 1998-99 for the Audit Services Section within Contract and Audit Management Branch, and the Legal Support Services within the Legal Affairs Division. At the same time, an augmentation is included in the Department of Finance budget to perform the internal control review audit function for CDC.

**Expansion of the Office of Internal Affairs.** An augmentation of \$1.5 million General Fund for 1998-99 is included to enhance the existing staffing of the Office of Internal Affairs function as part of a comprehensive program to enhance internal oversight procedures within the Department.

**Pregnant and Parenting Women's Alternative Sentencing Program.** An augmentation of \$1.1 million General Fund for 1998-99 has been proposed to staff the first facility completed for the purpose of implementing the Pregnant and Parenting Women's Alternative Sentencing Program as mandated by Chapter 63, Statutes of 1994.

**Mental Health Care Delivery System.** As a result of the changing prevalence of seriously mentally disordered offenders and the change in mix between the enhanced outpatient program and the correctional clinical case management system, \$3.3 million General Fund and 54 personnel years is proposed. In addition, 113 limited-term

positions for the health care services division are proposed for continuation on a permanent basis.

**Department of Corrections and Department of Mental Health Contract Adjustment.** In order to provide space at Atascadero State Hospital (ASH) to house patients committed to the Department of Mental Health under the Sexually Violent Predator (SVP) statutes, the Administration proposes to transfer inmates currently housed at ASH to the California Medical Facility. Specifically, 31 inmates currently housed at ASH will be transferred to the California Medical Facility in 1997-98 and 90 additional inmates will be transferred in 1998-99. The Budget proposes a net reduction of \$403,000 General Fund in 1997-98 and \$4.1 million General Fund in 1998-99.

**Correctional Facilities, Capital Outlay.** The Department of Corrections projects that with all available prison capacity in use by February 2000, the system will be housing 178,000 inmates (see Figure PUB-4). By June 2003, the system will need to deal with more than 213,000 felons. To address this projected shortfall in bed capacity, the Administration is proposing, as part of the Infrastructure Initiative, a plan to construct additional celled capacity to meet housing needs for the most violent felons. Additional housing for low security inmates will be dealt with in a long-term commitment for more contract beds. In addition, the 1998-99 also provides \$40.7 million from the General Fund for vital major and minor capital outlay projects.

## INCARCERATION OF ILLEGAL IMMIGRANT FELONS

The Federal Crime Bill authorizes approximately \$3.6 billion under the State Criminal Alien Assistance Program (SCAAP) to reimburse states for the costs of incarcerating illegal immigrant felons who are in the United States illegally for the period from 1995-2000. Notwithstanding the fact that California receives a large share of these funds, the amount provided is a fraction of



the true cost incurred to incarcerate and supervise these individuals.

As the percentage of illegal immigrants in the state prison system will increase from 13.9 percent in 1993-94 to 15.2 percent in 1998-99, the State has continued to experience related cost increases due to continued prison growth and operating costs. In 1997-98, the Department of Corrections (CDC) expects to expend approximately \$539 million for incarceration and parole supervision. For 1998-99, the CDC costs are estimated to be \$571 million, an increase of 5.9 percent. In addition, the Department of Youth Authority expects to expend \$19 million in both 1997-98 and 1998-99 for a total of \$558 million in 1997-98 and \$590 million in 1998-99, an overall increase of 5.7 percent.

For 1998-99, it is estimated that California will receive approximately \$287 million in

• SCAAP funding. This amount does not provide for an additional \$303 million in costs which Youth and Adult Correctional Agency departments will incur for incarceration, parole supervision, and related debt-service costs relative to this population. Given the current crowding conditions in the State's penal systems, the Administration will continue to strongly support full funding from the federal government for SCAAP funding in future years.

### Board of Corrections

• The Board of Corrections is responsible for establishing standards for the construction and operation of local jails and juvenile detention facilities, compliance inspections, and employment standards and training for local corrections and probation personnel.

FIGURE PUB-4

### California Department of Corrections

Male Institutions	Maximum Capacity	Female Institutions	Maximum Capacity
Avenal State Prison	7,753	Central California Women's Facility	4,044
California Correctional Center	5,839	California Institution for Women	2,735
California Correctional Institution	5,990	California Rehabilitation Center	842
California Institution for Men	7,007	Northern California Women's Facility	760
California Medical Facility	3,377	Sierra Conservation Center	320
California Men's Colony	7,179	Valley State Prison for Women	4,040
California Rehabilitation Center	4,001	<b>Total Female Institutions</b>	<b>12,741</b>
California State Prison-Corcoran	5,726	<b>Other Beds</b>	
California State Prison-Los Angeles County	4,650	Community Correctional Re-entry	
California State Prison-Sacramento	3,802	Center/Community Correctional Facility	8,180
California State Prison-Solano	6,621	Department of Mental Health	429
Calipatria State Prison	4,208	Pitchess/Santa Rita	2,150
Centinela State Prison	5,312	<b>Total Other Beds</b>	<b>10,759</b>
Chuckawalla Valley State Prison	4,307		
Correctional Training Facility	7,065		
Deuel Vocational Institution	4,264	<b>Grand Total</b>	<b>178,432</b>
Folsom State Prison	3,752		
High Desert State Prison	4,726		
Ironwood State Prison	5,484		
Mule Creek State Prison	4,090		
North Kern State Prison	5,348		
Pelican Bay State Prison	4,189		
Pleasant Valley State Prison	5,492		
Richard J. Donovan Correctional Facility	5,256		
Salinas Valley State Prison	4,820		
San Quentin State Prison	5,763		
Sierra Conservation Center	6,124		
Substance Abuse Treatment Facility and Corcoran	6,705		
Wasco State Prison-Reception Center	6,082		
<b>Total Male Institutions</b>	<b>154,932</b>		



## DEPARTMENT OF THE YOUTH AUTHORITY

**Federal Crime Bill Funding.** Given the accelerating number of violent offenders and the public safety risks due to the lack of local jail space, the Administration is proposing to allocate 15 percent of the State's Violent Offender Incarceration and Truth in Sentencing grants (\$12 million) to build and/or expand local adult and juvenile detention facilities. The Board of Corrections will be responsible for awarding these funds and for assisting counties in planning, designing, and constructing facilities in ways that promote economy, quality, efficiency, and the highest degree of safety for the public and staff as well as the individuals who are detained in these facilities.

**Community Law Enforcement and Recovery Demonstration Project (CLEAR).** Chapter 506, Statutes of 1997, appropriated \$1.2 million General Fund to the City of Los Angeles as start-up funding for the CLEAR project, for allocation to specific entities (Los Angeles Police Department, Los Angeles City Attorney, Los Angeles County Sheriff, Los Angeles County District Attorney, Los Angeles County Probation Department, and the Gang Intervention Coordinator). The CLEAR project is a multi-agency gang intervention program where the agencies work together to provide a flexible and coordinated response to crime perpetrated by criminal street gangs. The Budget includes an additional \$14 million General Fund in 1998-99 for this program.

**"At-Risk" Youth Early Intervention Programs.** Chapter 909, Statutes of 1997, authorizes any county to establish an "At-Risk" Youth Early Intervention Program designed to assess and serve families with children (at least 10 years of age) with chronic behavioral problems and to impose conditions of supervision upon those minors. The Budget includes \$2 million General Fund for the Board to allocate to counties on a competitive basis.

The Department of the Youth Authority protects the public from criminal activity of youthful offenders by housing wards committed to the Youth Authority by juvenile courts. In order to help these youthful offenders become productive California citizens, the Youth Authority provides education, training, and treatment services to the wards. The Budget proposes a total of \$379.7 million and 5,204 personnel years in 1998-99 for state operations and local assistance programs.

Chapter 6, Statutes of 1996, implemented a sliding scale fee that charges counties a fee for less serious offenders that are committed to the Youth Authority. Since January 1, 1997, when the bill became effective, the Youth Authority's ward population decreased in part due to implementation of the sliding scale fee. The Youth Authority projects a year-end institution population of 8,400 youthful offenders by June 30, 1998, which is 745 fewer than previously anticipated. This trend is expected to continue in the budget year, although at a slower rate, resulting in a decrease of 85 wards for a 1998-99 year-end population of 8,315.

The Youth Authority operates 11 institutions, including 2 reception center/clinics, 6 conservation camps (2 of which are institution-based camps), and 2 institution-to-parole transition programs (1 of which is a drug treatment program). The total Youth Authority design capacity is 6,750 beds which includes the Youth Authority's institutions and camps along with contracted beds.

The Youth Authority supervises parolees through 16 offices located throughout the State. The Parole population is projected to be 6,120 by June 30, 1998, and to decrease by 655 cases, or 10.7 percent, to 5,465 by June 30, 1999.

**Security Improvements.** In order to ensure the safety of staff and wards in the Youth Authority institutions and the security of the facilities, funding is provided in the Budget

to implement a number of security enhancements in 1998-99:

☞ \$143,000 is included for two additional Group Supervisor posts during first watch at the N.A. Chaderjian Youth Correctional Facility. This augmentation will ensure that adequate staffing exists to conduct timely ward counts.

☞ The Budget includes an additional \$444,000 to provide staff for the checkpoints at two institutions and to provide arming for staff at four institutions. This will allow the Youth Authority to more closely monitor the pedestrian and traffic flow into and out of the effected institutions and will provide enhanced security for staff responsible for working in these checkpoints.

☞ An increase of \$663,000 is provided to upgrade the radio system at the Southern Youth Correctional Reception Center and Clinic in order to alleviate dead spots and other safety-compromising transmission problems.

**Special Education.** The Governor's Budget includes \$707,000 in Proposition 98 General Fund and 15 personnel years for the current year, and \$1.4 million in Proposition 98 General Fund and 31 personnel years in the budget year, to increase staffing to address the special education needs of 23 percent of the Youth Authority population.

**Intensive Treatment Program for Females at Ventura Youth Correctional Facility.** The Budget provides \$417,000 General Fund and 7 personnel years to upgrade a specialized counseling program at Ventura to an intensive treatment program that provides additional psychological and psychiatric treatment for female offenders who have severe psychological disturbances.

**Community Services Program.** The Sacramento Training and Employment Preparation Program is designed to assist parolees with little or no work experience to develop good work habits. This Program also places a high priority on restoring justice in communities

by helping youthful offenders understand the impact of their crime on victims. This Program has been established at 6 sites and the budget proposes \$214,000 and 3 personnel years to expand this program to three additional sites.

## DEPARTMENT OF JUSTICE

The Attorney General serves as the State's primary legal representative and chief law enforcement officer and is responsible for ensuring that California's laws are uniformly enforced.

For 1998-99, the Budget proposes 4,927 personnel years and \$462.3 million for the Department of Justice, including \$138.5 million for Law Enforcement programs, \$202.3 million for Legal Service programs, \$117.8 million for the Criminal Justice Information program, and \$3.7 million for the newly established Gambling Control Division. The following major budget adjustments are proposed for the 1998-99 fiscal year:

**Tobacco Industry Litigation.** The Budget includes an increase of \$13.9 million (\$8.1 million General Fund) and 115 two-year limited-term personnel years to continue support of the State's litigation efforts in a multi-state lawsuit against the tobacco industry to recover billions of taxpayer dollars in fines and penalties as well as equitable relief. The State's complaint contains four causes of action: the first seeks recovery of tobacco-related Medi-Cal expenditures; the second alleges violations of California's anti-trust statutes; the third alleges violations of California's false claims act; and the fourth alleges violations of California's consumer protection statutes.

**Sexual Predator Apprehension Team.** The Budget provides an increase of \$1.8 million General Fund and 14 positions to establish a regional Sexual Predator Apprehension Team (SPAT) in northern California and augment three existing teams in the Fresno, Los Angeles, and San Francisco areas. Nine of the positions will be used to establish a fourth SPAT unit to target high-risk sexual habitual



offenders in the 25 northern California counties. The remaining 5 positions augment existing programs currently operating throughout the State. SPAT units provide leadership, coordination, expertise, and training to local law enforcement agencies in the monitoring and apprehension of habitual sex offenders and convicted sex offenders who fail to register with local authorities. Additionally, the teams take a proactive role in the investigation and prosecution of child molesters and violent sex offenders.

**Flood Litigation.** The Budget includes an increase of \$2.2 million General Fund and 17 two-year limited-term personnel years to provide for the necessary state defense against lawsuits arising from the widespread flooding that occurred in January 1997.

**Division of Gambling.** The Budget includes an increase of \$4.2 million special funds and 41 personnel years to implement the provisions of Chapter 867, Statutes of 1997, which established a new Gambling Control Division and a Gambling Control Board within the Department of Justice.

**California Witness Protection Program.** The Budget provides an increase of \$5 million special fund and one personnel year to provide full-year funding for the California Witness Protection Program, established by Chapter 507, Statutes of 1997. The California Witness Protection Program will provide funding for relocation costs and other witness protection services in criminal proceedings where there is credible evidence of substantial danger to the witness through intimidation or retaliatory violence.

**Electronic Fingerprint System.** The Budget provides an increase of \$4 million special funds and 37 two-year limited-term personnel years to perform criminal background checks of specified individuals applying for employment positions with school districts. These funds will also be used to implement and manage an electronic fingerprint system with terminals located statewide pursuant to Chapters 588 and 589, Statutes of 1997, to

expedite criminal background checks on all school district employees.

**California Gang, Crime and Violence Prevention Partnership Program.** The Budget includes \$3 million General Fund to fund ongoing costs of local assistance grants in support of community-based violence prevention efforts, pursuant to Chapter 885, Statutes of 1997.

**Capital Litigation Reform.** The Budget proposes an increase of \$1 million General Fund and 12 personnel years to address the increased workload associated with representing the People's interest in defending and upholding death penalty judgments in both state and federal court as the result of Chapter 869, Statutes of 1997.

This legislation provides for increased legal representation for condemned inmates by increasing the number of attorneys available in the Office of the State Public Defender; creates the Habeas Resource Center to represent these inmates in State Habeas Corpus proceedings; and authorizes the State Supreme Court to compensate appointed counsel in death penalty appeals and post-conviction proceedings at a rate of at least \$125 per hour.

**California Methamphetamine Strategy.** The Budget provides an increase of \$18 million federal funds and 138 two-year limited-term personnel years to implement the California Methamphetamine Strategy. The State's strategy is a multi-component systematic approach that targets all facets of methamphetamine production and trafficking with an emphasis on preventing precursor chemicals from being sold to criminals and limiting the illegal revenue available to the criminal organization.

### CALIFORNIA GAMBLING CONTROL COMMISSION

Chapter 867, Statutes of 1997, establishes the California Gambling Control Commission which shall become operative no later than



January 1, 1999. The five-member Commission, whose members are appointed by the Governor and are subject to Senate confirmation, is vested with the jurisdiction over gambling establishments and all persons or things having to do with the operations of gambling establishments in the State. Specifically, the Commission is responsible for assuring that licenses, approvals, and permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is detrimental to the public health, safety, or welfare.

The Budget proposes 5 personnel years and \$615,000 from the Gambling Control Fund to establish the Commission effective January 1, 1999.

### CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) is the largest highway patrol in the United States and is recognized for its leadership on public safety issues. The mission of the CHP is to protect the lives and property of motorists and to ensure the safe and efficient flow of traffic on California's highway system.

CHP's major priorities are: the enforcement of traffic speed laws, elimination of driving under the influence of drugs and alcohol, promoting seat belt use by motorists, safe and efficient regulation of commercial vehicles (primarily trucks, semi-trailers, and buses), traffic congestion relief, vehicle theft reduction, safe transportation of hazardous materials, and stopping the flow of drugs through the State. More than 98,000 miles of California's highways—nearly two-thirds of all roads in the State—are within the CHP's jurisdiction.

The Budget proposes expenditures of \$872 million and 9,993 personnel years for support of the CHP.

The Budget proposes \$4.9 million and 3.8 personnel years to expand the Peace Officer Environment Automation Project by equipping an additional 441 vehicles with laptop computers. As part of its long-range

information systems plan, CHP began testing the use of mobile digital computers in patrol vehicles as a means of communicating (where wireless digital communications are available) with dispatch offices, accessing data banks in the Department of Motor Vehicles and Department of Justice, and automating the preparation of various traffic citation and accident reporting forms. This project began in fiscal year 1993-94 with a limited pilot project in South Los Angeles. Currently, CHP deploys approximately 1,479 laptop computers in patrol vehicles and plans to deploy a total of 2,124 by 1999-2000. The augmentation for 1998-99 will bring the total number of laptops in service to 1,920.

### OFFICE OF CRIMINAL JUSTICE PLANNING

The mission of the Office of Criminal Justice Planning (OCJP) is to reduce crime and delinquency and its adverse affects upon the victims of crime in California. OCJP provides financial and technical assistance to state and local criminal justice and victim service agencies and community-based organizations.

The Budget proposes 125 personnel years and \$177 million to continue the Administration's efforts to enhance victim services programs, improve the criminal justice system, and reduce crime in California. Included within this amount is funding for the following new programs:

**Multi-Agency Gang Enforcement Consortium (MAGEC):** The Budget includes \$248,000 from the General Fund to provide overhead costs for an anti-gang task force that will operate in Fresno County. The MAGEC will leverage the participation of 30 local, state, and federal law enforcement agencies that have agreed to provide their own personnel and coordinate efforts to apprehend and prosecute gang members who have committed serious crimes. The MAGEC will have strong participation from federal authorities and a commitment from federal prosecutors to prosecute gang members with prior felony convictions under illegal re-entry statutes.

**California Council on Criminal Justice Task Force on Probation.** The Budget includes \$175,000 from the General Fund to conduct a study of California's probation system and develop recommendations to improve the effectiveness of the existing local probation system.

**Gang Violence Suppression-Mentoring Program.** The Budget includes an increase of \$473,000 in federal funds to establish a mentoring element within the Gang Violence Suppression Program. The formation of on-going mentoring relationships has been found to be a particularly effective method in establishing positive role models for youths "at risk" of becoming involved with gangs. Consistent with the Governor's California Mentoring Initiative, these funds will be used to recruit, train, and support mentors sponsored by community-based organizations in areas with a significant population of youth with a potential for gang activities.

### THE OFFICE OF THE STATE PUBLIC DEFENDER

The Office of the State Public Defender (OSPD) was established to provide legal representation for persons who are financially unable to employ counsel in capital appeal cases and other proceedings where a person is afforded legal representation at public expense. The 1998-99 Budget proposes a total of \$11 million General Fund and 121 personnel years for OSPD.

**Habeas Corpus/Death Penalty Appeals Workload.** Currently, there are more than 490 inmates on death row. Of this number, approximately 170 are without legal representation with the number of new inmates on death row totaling between 30 and 35 annually. In response to concerns about the number of inmates on death row without legal representation, and in order to comply with federal timelines for expedited habeas corpus review, Chapter 869, Statutes of 1997, was enacted which did the following:

☞ Created the California Habeas Resource Center. This new entity is authorized to

employ attorneys and investigators to represent indigent individuals in post-conviction proceedings and to assist appointed counsel in post-conviction proceedings. The Budget provides \$5 million General Fund and 34 personnel years to establish the Habeas Resource Center.

☞ Revised the mission of the OSPD. Except for training new attorneys utilizing non-capital cases, OSPD will only be assigned automatic capital appeals by the California Supreme Court. The Budget proposes an additional \$3 million General Fund and 29 personnel years for the additional legal staff to implement the new legislation and to address the backlog of inmates on death row without assigned legal counsel.

☞ Increased the hourly rate at which court-appointed private attorneys are paid to provide representation in these cases, to at least \$125 per hour. It is anticipated this higher rate will provide an incentive to attract more attorneys to work on these cases.

### COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

The Commission on Peace Officer Standards and Training is responsible for raising the level of competence of law enforcement officers in California by establishing minimum selection and training standards, improving management practices, and providing financial assistance to local agencies relating to the training of their law enforcement officers. The Budget proposes \$47 million and 117 personnel years to support these program objectives.

**Increased Revenues/Reimbursements for Peace Officers Training Fund.** For 1998-99, revenues to the Peace Officers' Training Fund will be increased by \$12 million as a result of the redirection of penalty assessments. These additional revenues will ensure that sufficient funds are available for allocation to local law enforcement agencies to cover the costs of backfilling officers

on the beat when they are attending training thereby enabling law enforcement agencies to enhance critical training programs without jeopardizing public safety.

**Tuition Reimbursement for Specialized Training.** The Budget provides \$2.5 million for tuition expenses for specialized training. This funding will enable local law enforcement agencies to provide enhanced certified training in specialized defensive tactics, pursuit driving, domestic violence issues, SWAT tactics, special weapons, and victim programs.

**Multi-Media Interactive Training.** The Budget provides \$1.5 million for increased funding for computer-video interactive training courses that provide highly effective, on-demand, standardized training to local law enforcement officers throughout the State.

**Tools for Tolerance.** The Budget includes \$2 million to continue funding to train law enforcement officers on cultural diversity and tolerance issues at the Simon Wiesenthal Center, Museum of Tolerance in Los Angeles. This is the third year of funding for this program and is estimated to provide training opportunities to approximately 7,000 local law enforcement officers throughout the State.



# CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

The California Environmental Protection Agency (CalEPA) was created in 1991 to centralize accountability for the protection of the environment, streamline the regulatory permitting process, ensure credible science, and coordinate enforcement. CalEPA consists of six boards, departments, and offices: Air Resources Board, Integrated Waste Management Board, Department of Pesticide Regulation, State Water Resources Control Board, Department of Toxic Substances Control, and Office of Environmental Health Hazard Assessment.

CalEPA has been instrumental in streamlining solutions to environmental concerns by shifting to a crosscutting approach that addresses various environmental issues relating to air, water, and land in an integrated fashion. Under CalEPA's direction, significant progress has been made to:

- Clean up the air and comply with federal clean air standards through a federally approved state implementation plan.
- Clean up hazardous waste sites including military and "Superfund" sites.
- Reduce the amount of solid waste going to landfills, on the way toward achieving 50-percent diversion by the year 2000.
- Accelerate the introduction of reduced-risk pest management techniques to ensure that California remains an

• agricultural leader while protecting the public health and the environment.

- Clean up the State's waters including the creation of a special committee to address border area environmental issues with Mexico, establishment of programs to deal with water quality issues of special interest in the coastal zone, and refocusing the way in which water quality issues are addressed to a watershed management approach.

• In order to simplify the permitting process, CalEPA has established 13 permit assistance centers and an Internet site known as CalGold to help individuals and businesses obtain information on permitting and to minimize the time necessary to issue permits. In addition, CalEPA has established an environmental technology certification program to accelerate the research, development, capitalization, and sales of critical environmental technologies to compete in the \$400 billion global environmental technologies market. Through its Regulatory Improvement Initiative, CalEPA has eliminated over 2,500 regulations to reduce overlapping and redundant oversight.

• CalEPA's key goals in 1998-99 are to:

- Provide a stable source of funding for the Permit Assistance Centers with a \$2.3 million General Fund augmentation. The Governor's Budget contains \$204,000 General Fund for implementation of the

CalGold System which seeks to provide electronic access to state, local, regional, and federal permitting information and assistance.

• Complete the implementation of coordinated economic analysis to ensure that the benefits of environmental regulations are measured against their costs.

• Finalize the Permit Consolidation Zones pilot program.

• Implement the Private Site Manager Program, which allows the use of private consultants to oversee the cleanup of low-risk hazardous waste sites.

• Implement a pilot program to test the level of environmental protection which can be obtained by the use of an Environmental Management System comprising standards that include self-auditing reporting requirements, permitting, inspections, and compliance.

• Conduct evaluations of the use of certified technologies in businesses in deploying those technologies for environmental protection and cleanup.

• Implement a more consistent external review process for the evaluation of the scientific basis of proposed rules and regulations. The Budget includes an augmentation of \$1.1 million from various funding sources for CalEPA to contract for peer reviews, as required by Chapter 295, Statutes of 1997, so that risk assessment and other scientific analyses are of the highest quality.

## AIR RESOURCES BOARD

The Air Resources Board is committed to the world's foremost program to protect and improve air quality. The Board conducts research, monitors California's air quality, and sets policies for controlling emissions from motor vehicles, industrial sites, and consumer products. The Board works in partnership with local air districts to devise

• strategies designed to lower pollution levels  
• and provide a healthy environment for all  
• Californians.

• In 1998-99, the Board proposes expenditures  
• of \$5.3 million from the General Fund and  
• the Motor Vehicle Account to develop proposals for control strategies in the State  
• Implementation Plan to help ensure the  
• availability of a new generation of cleaner  
• vehicles and consumer products for California. The Board will prepare a technical work  
• plan to address fine particulate air pollution  
• and ensure that control programs for ozone  
• complement efforts to reduce these airborne  
• particles which can aggravate asthma and  
• bronchitis symptoms and are associated with  
• premature death for people with existing  
• cardiac and respiratory problems.

• Additionally, the Budget includes \$2.5 million General Fund to support demonstration  
• projects in alternative uses of rice straw in  
• order to reduce rice straw burning and the  
• resulting air pollution. This funding will  
• help provide the full scale of engineering and  
• economic feasibility studies that financial  
• markets require before full investment.

• Finally, the Board plans to increase its enforcement function by over \$800,000 from  
• the General Fund and the Motor Vehicle  
• Account to improve compliance with air  
• quality laws—thus reducing emissions, depriving violators of economic benefits, and  
• protecting those that do comply.

## INTEGRATED WASTE MANAGEMENT BOARD

• The Integrated Waste Management Board  
• will continue its progress on a comprehensive  
• program to address the State's solid waste  
• management needs. The Board's programs  
• and policies combine landfill permit oversight, operational monitoring, research, and  
• educational efforts to reduce the amount of  
• materials going to landfills. The Board's  
• programs have assisted local agencies in  
• attaining interim mandated diversion goals  
• on their way to meeting the 50-percent diversion goal in the year 2000.



In 1998-99, the Board will continue to assist local governments and their business partners in making progress toward achieving the 50-percent diversion goal. The Board proposes to emphasize the reduction of organics and construction and demolition debris and to explore the best options—including public-private partnerships, working with local enforcement agencies, and other outreach efforts—to implement its programs.

Also, the Board proposes to restructure and simplify the Tire Recycling Program to focus on eliminating tire piles and enhancing markets for waste tires.

The Budget contains a \$159,000 augmentation from the Used Oil Recycling Fund to establish a statewide program to reduce the illegal disposal of used oil filters and recover the oil that those filters contain. It is estimated that over 20 million used oil filters, containing an estimated 2 million gallons of used oil, are illegally disposed of each year.

## DEPARTMENT OF PESTICIDE REGULATION

The Department of Pesticide Regulation protects public health and the environment with the nation's most rigorous and comprehensive program to evaluate and control pesticide use. The Department's oversight includes scientific evaluation of pesticides before they are licensed for sale; local enforcement to ensure pesticides are used safely; residue testing of fresh produce; environmental monitoring to detect, reduce, and prevent contamination; and programs to encourage the development and use of pest control practices that are environmentally sound and effective.

Further, the Department will continue to incorporate the pesticide use database and an extensive survey of alternative pest management strategies into a useful table of information in response to challenges posed by the federal Food Quality Protection Act. The Department also will increase the safety of the workplace where pesticides are manufactured or handled by training

- enforcement staff and county agricultural
- commissioners' staff who evaluate occupational safety adherence to regulatory requirements.

## STATE WATER RESOURCES CONTROL BOARD

- The mission of the State Water Resources Control Board is to preserve and enhance the quality of California's water resources and ensure proper allocation and efficient use for the benefit of present and future generations. The Board accomplishes this through planning, research, and monitoring programs, as well as regulatory oversight of the State's surface, ground, and coastal waters.

- In 1998-99, the Board will perform some 3,200 compliance inspections of permitted facilities and issue or update 940 water quality permits. The Board also plans to issue 65 water rights permits and adopt 4 major water rights orders.

- The Budget includes an augmentation of \$900,000 from the General Fund and the Waste Discharge Permit Fund and 12 new positions for statewide enforcement and compliance activities, including establishment of a routine water rights enforcement and compliance program for the first time. Key staff assigned in each of the nine Regional Water Quality Control Board offices, as well as the Board's office, will result in a 20-percent increase in inspections of discharges to surface waters, increased involvement in CalEPA multi-agency task forces and up to 50 additional enforcement actions. Goals for increased efforts in 1998-99 include reducing the number of beach closures from sewage overflows, reducing erosion from construction sites during the winter, reducing acid drainage from mines, and protecting rivers from dairy runoff. The Central Valley Regional Water Quality Control Board is in the process of enhancing its field presence including participation in dairy task force meetings along with other CalEPA staff.

- The Board will work to ensure that all underground storage tanks throughout the State



have been replaced, upgraded, or taken out of service by the federal and state deadline of December 22, 1998 and has obligated \$550 million from the Underground Storage Tank Cleanup Fund to more than 5,000 owners of leaking tank sites. Chapter 808, Statutes of 1997, prohibits delivery of petroleum to underground storage tanks that are not in compliance by the deadline.

Also, the Board is in the final stages of establishing a policy (Inland Surface Waters and Enclosed Bays and Estuaries Plan) to control toxic substances in California's lakes, rivers, bays, and estuaries. Further, the Board will continue implementation of the Bay-Delta program to adopt a water rights decision to implement the flow and water quality objectives in the Plan and the certification of the final environmental impact report for the project. These tasks will be completed by December 31, 1998.

The Board will continue implementation of the planning phase of the Bay Protection and Toxic Cleanup Program (BPTCP) for one year. The BPTCP is a comprehensive effort by the Board and the Regional Water Quality Control Boards to programmatically link standards development, environmental monitoring, water quality control planning, and site cleanup planning. Since 1992, this Program has been primarily supported by fees assessed on point and nonpoint source discharges. Because the authority to assess fees expired on January 1, 1998, the Budget proposes \$2.5 million in 1998-99 from the Waste Discharge Permit Fund.

Other Board highlights for 1998-99 include:

- ☛ An \$800,000 augmentation from the Natural Resources Infrastructure Fund for the Coastal Water Monitoring and Assessment Program for monitoring the cleanliness of water in which fish and shellfish live.
- ☛ A \$1.5 million General Fund augmentation to mitigate acid mine drainage from the Leviathan Mine. The mitigation plan was prepared with input from local watershed stakeholders and technical experts including the Washoe Tribe, Nevada

Division of Environmental Protection, and other state and county representatives. To date, the Lahontan Regional Board has completed emergency repairs, monitoring, and studies to determine how best to remediate the remaining problems.

- ☛ A \$367,000 Waste Discharge Permit Fund augmentation to the existing confined animal facility regulatory program in the Central Valley Region. Typically, such facilities raise cows, pigs, goats, chickens, and other farm animals. This augmentation will allow the program to pursue protective and corrective actions to reduce fish kills, degraded water quality, and nuisance conditions.
- ☛ A \$931,000 augmentation from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund, to implement the Watershed Management Initiative Program to more efficiently and effectively provide water resource protection and involve local stakeholders in planning and implementation of comprehensive water protection efforts.
- ☛ A \$7.0 million augmentation from the Underground Storage Tank Cleanup Fund to reimburse eligible claimants for the costs of cleaning up underground storage petroleum tanks.
- ☛ A \$150,000 General Fund augmentation for vital monitoring activities that are necessary in assessing the water quality of Lake Tahoe.
- ☛ Establishment of a unit to assist the Regional Boards and ensure that enforcement activities are consistent, predictable, and fair based on a statewide perspective, thereby enabling the Board to directly enforce statewide water quality programs such as wastewater treatment plant operator certification.
- The Board continues to focus on the New River and Salton Sea water issues. The Board has undertaken the special task of monitoring the water quality of the New River. Additionally, the U.S. Environmental

Protection Agency (USEPA) has contracted with the University of California to develop a water quality model of the river, and the USEPA and the Board are working with Mexican agencies to develop a binational report of a water quality study conducted on the New River. The Board is working to get funding on possible solutions and projects to mitigate the problems with the Salton Sea.

The Board expects that the binational report of the water quality study on the New River will be completed in 1998. Cleanup of the River, which flows to the Salton Sea, will have the additional benefit of helping to clean up the Salton Sea.

## DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control is responsible for the prevention and remediation of environmental damage caused by hazardous substances. The Department oversees the cleanup of contaminated sites and monitors and regulates hazardous waste transportation, treatment, storage, and disposal in California. The Department's programs cover site mitigation, hazardous waste management, pollution prevention, waste minimization, and technology development.

In 1998-99, the Department will implement a significant new fee structure pursuant to the Environmental Cleanup and Fee Reform Act of 1997 (Chapter 870, Statutes of 1997) which enacted the recommendations of the Fee Reform Task Force previously established by the Legislature. The Act reformed the financial support structure of the Department by eliminating, replacing, and modifying the fees previously paid by the hazardous waste industry and other businesses to fund the Department's programs. This law eliminates hazardous waste industry fees as a source of funding for the Site Mitigation Program and replaces them with an expanded environmental fee to support a new Toxic Substances Control Account.

The Budget includes \$6.75 million from the Toxic Substances Control Account to fund

- the costs of the mandatory state match at federal National Priority List (Superfund) sites for final remedial action and long-term operation and maintenance activities. In addition, these funds will be used for the investigation, remediation, and long-term operation and maintenance at state-only "orphan" sites where there are no responsible parties to perform cleanup activities.

- The Department has also continued its Regulatory Structure Update (RSU) initiative—a comprehensive review and refocusing of California's system for identifying and regulating the management of hazardous waste. The RSU is aimed at reducing the regulatory burden while retaining the high enforcement and management standards needed to protect public health and the environment.

## OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

- The Office of Environmental Health Hazard Assessment (OEHHA) protects and enhances public health and the environment through objective, scientific evaluations of risks posed by hazardous substances. OEHHA's primary role is as risk assessor for various programs under the California Environmental Protection Agency as well as other state and local agencies. OEHHA provides these programs with the scientific tools and information upon which to base risk management decisions. Distinct programs within OEHHA focus on assessing the health risks from exposure to chemicals in air, water, food, consumer products, hazardous and municipal waste facilities, fish and shellfish, and sediments in bay and estuarine waters.

- The Budget proposes that \$1.4 million in support of enforcement of Proposition 65 and nonsite-specific hazardous and municipal waste activities be shifted from reimbursements to the General Fund. The Budget also includes an additional \$106,000 General Fund for the development of statistical expertise for risk assessments.





# NATURAL RESOURCES

In 1991, Governor Wilson launched an ambitious multi-faceted program for a new era of stewardship of California's rich, diverse natural resources—*Resourceful California*—a plan to invest in the State's natural inheritance through conservation initiatives that address forestry, riparian habitat, wildlife management, wetlands, parks, farmland conservation, and coastal needs. Resourceful California is grounded in the philosophy of integrated resource management which embraces both ecosystem and economic approaches in creating sound environmental policy.

Since 1991, the Resources Agency and its associated departments have made great gains towards fulfilling the goals of Resourceful California:

- Implementation of the Natural Community Conservation Planning Program.
- Development of the first Water Policy Framework in 25 years.
- Passage of Proposition 204, the Safe, Clean, Reliable Water Supply Act.
- Reforms to the California Environmental Quality Act and California Endangered Species Act.
- Initiation of the State's first comprehensive wetlands policy.

- Implementation of a comprehensive ocean and coastal management and protection strategy.

The Budget includes funding for the following Initiatives:

• **Ocean and Coastal Initiative.** \$18.2 million and 35 personnel years (in various budgets). This Initiative will preserve and protect the State's coastline and natural habitat for the benefit of current and future generations.

• **Lake Tahoe Initiative.** \$11.5 million and 3 personnel years (in various budgets). The Lake Tahoe Initiative reflects the Governor's commitment, in partnership with the State of Nevada, the federal government and local and private entities, to fund a ten-year environmental improvement program for Lake Tahoe. This Initiative includes funding for a comprehensive set of programs involving acquisitions, site improvements, and land management activities to affirmatively address the resource needs of the Tahoe Basin.

• **Watershed Initiative.** \$8.9 million and 22 personnel years (in various budgets). The Watershed Initiative is designed to build on California's experience with ecosystem management by expanding this work to key watersheds in the State. The Initiative is also designed to streamline existing resource permit processes by transitioning from the time-consuming, costly, and burdensome project-by-project and species-by-species

reviews to watershed-oriented environmental analyses and planning.

**Natural Community Conservation Planning (NCCP) Program.** \$20.6 million and 13 personnel years (in various departments). The NCCP program is an innovative approach to resource management, which balances the broad habitat protection needs of listed species with the need for economic development. Since 1991, state, local and federal agencies have worked cooperatively with private landowners to make significant progress on or complete species and habitat conservation plans in Southern California covering well over one million acres.

**1998 Water Bond.** In 1992, the Governor outlined a long-term comprehensive water policy framework to restore the San Francisco Bay/Sacramento-San Joaquin Delta ecosystem, increase water supply, and protect fish and wildlife. In 1996, Californians enacted a \$995 million general obligation bond that represents a major advance in the restoration of the San Francisco Bay/Sacramento-San Joaquin Delta estuary and the Governor's State Water Policy. To continue building on these efforts, the Administration is proposing a \$1.3 billion general obligation bond to meet the water supply, water quality, and flood management needs of the State.

**1998 Watershed, Wildlife and Parks Improvement Bond.** The Administration is proposing an \$800 million General Obligation bond to address the funding of various natural resource, habitat, and infrastructure needs of the State.

See the "Resources and Environmental Quality" section and the "Infrastructure Initiative" section for more details on the Administration's resources and environmental policy initiatives.

## DEPARTMENT OF PARKS AND RECREATION

The mission of the Department of Parks and Recreation (DPR) is to preserve the State's extraordinary biological diversity, protecting its most valued natural and cultural resources, and creating opportunities for high-quality outdoor recreation. The State Park System consists of 264 park units including parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. This park system represents the most diverse natural and cultural heritage holdings of any land managing agency in California and is second to none in the United States.

California state parks include some of the most recognizable and most widely visited destinations in the country, drawing about 70 million visitors each year. The State Park System includes 280 miles of coastline and 811 miles of lake, reservoir, and river frontage as well as approximately 3,000 miles of trails and nearly 18,000 campsites on 1.3 million acres. The Department is also the custodian of over 2.7 million artifacts that are important to the heritage and history of California.

The Administration has worked to ensure that state parks remain open and accessible to all Californians. DPR's efforts have included an administrative reorganization that reduced staff in Sacramento and shifted greater resources into the field, a pilot program in performance-based budgeting that has helped cut costs and maximize financial resources, and a cooperative agreement with the National Park Service for joint management of the state and national parks in three regions.

The Budget proposes an expenditure level of \$213.9 million, which includes \$192.8 million and 2,720 personnel years for support of state operations and \$21.1 million for local assistance grants.

**Five-Year Financial Stabilization Plan.** In 1996, DPR initiated a five-year plan to make state parks more financially stable through

new and continuing strategies including new fee structures, moving to the next phase of performance-based budgeting, increased privatization efforts, and wider collaboration with local governments and private non-profit organizations in the operation and management of parks. Coupled with this strategic plan, the 1996 Budget Act provided DPR with \$16.4 million General Fund to be phased out over a five-year period. Additionally, fee revenues increased approximately \$3 million. These actions have allowed DPR to keep park units open while, at the same time, changing its method of operation within state government.

In fiscal year 1998-99, DPR proposes to generate an additional \$1.8 million in revenues through entrepreneurial enterprises (new concessions, corporate sponsorships, special events, and retail opportunities) and by further modifying the fee structure.

**Performance-Based Budgeting.** In 1993, the Administration established performance-based budgeting pilot projects in four departments including the DPR. The pilot stems from a national and state effort to "reinvent" government by making it more accountable to taxpayers for products and services provided. At the heart of the movement is the concept of performance measurements and the linkage of a department's budget to its outcomes or results.

In 1996-97 and 1997-98, the Department restructured its CALSTARS accounting system to link budgets to core programs and outcomes. The budget alignment structure was successfully applied in selected district divisions. Refinement of the structure will continue in 1998-99.

**Deferred Maintenance.** The infrastructure of the State Park System includes many buildings and systems that are in critical need of repair. Over the last 30 years, several hundred million dollars have been spent, mainly from state general obligation bond funds, to add new developments to the parks. However, adequate funding has not been available to maintain the over 6,000 buildings, 1,455 of which are historic structures, and

over 1,000 water, wastewater, and electrical systems located throughout the 264 park units—maintenance which is crucial for the operation, health, and safety of the park system for 70 million annual visitors. To begin meeting this need, \$5 million is proposed to help address the Department's deferred maintenance backlog.

**Capital Outlay.** The Budget proposes a \$24.9 million capital outlay program for various public safety, critical infrastructure, and various capital improvement and enhancement projects which are outlined in the Capital Outlay section.

## DEPARTMENT OF FISH AND GAME

The mission of the Department of Fish and Game (DFG) is to manage California's diverse fish, wildlife, and plant resources and the habitats upon which they depend for their ecological value and enjoyment by the public. DFG manages over 800,000 acres of wildlife and aquatic habitat including 105 wildlife areas and 99 ecological reserves and holds conservation easements and other management responsibilities over an additional 111,000 acres. For 1998-99, the Budget proposes \$206.1 million and 2,063 personnel years for state operations and local assistance programs.

To accomplish its mission, DFG is systematically linking its annual Budget to the goals and strategies identified in its strategic plan. Accordingly, the proposed budget continues to emphasize the strategic themes that form the foundation for long-term resource management and planning. In future budgets, DFG may propose changes in the program display in the Budget which will provide for a clearer program description. This will allow DFG to better manage programs and better report expenditures and programmatic outcomes, thus facilitating greater accountability.



**Program Proposals:** DFG is proposing significant program enhancements in four program areas for 1998-99:

**Living Marine Resources and Marine Habitat Management.** Consistent with the Administration's Ocean and Coastal Initiative, the Budget proposes \$3.6 million and 27 personnel years to enhance, protect, and manage the State's living marine resources and habitat. Included in that amount is \$2.6 million and 18 personnel years to create a comprehensive nearshore ecosystem database encompassing coastal embankments and ocean ecosystems including the continental shelf (shoreline out to 600 feet in depth). Also included, are \$1 million and 9 personnel years to create new habitat and provide additional recreational locations and opportunities by constructing artificial reefs. Funding also will be used to enhance and protect the State's living marine resources through the collection and analysis of resource data, particularly rockfish species, and the development of management plans for sport and commercial fisheries through the inspection of mariculture facilities and development of adequate databases on wildlife communities.

To more effectively manage the State's living marine resources and habitats, DFG has established a new Marine Region headquartered at Monterey Bay with service centers in key port communities including Long Beach/Los Angeles and the San Francisco Bay areas. The Marine Region will coordinate policy and operations for habitat-based management of living marine resources. The focus will be in the following ecosystems: nearshore, offshore, and enclosed bays and estuaries.

To aid in the safety of maritime commerce, which further protects the State's living marine resources, the Budget proposes \$1.9 million to improve vessel traffic safety systems. These partnerships are planned for ports in Eureka, San Francisco, Los Angeles/Long Beach, and San Diego. Partners include ports, federal agencies such as the Coast Guard, and non-profit groups. Additional funding of \$1.6 million has been included in

the Budget for telecommunications and training to ensure that the oil spill prevention and response drills and exercise program will meet statutorily-mandated responsibilities for effective planning and preparedness for spill incidents.

**Anadromous Fish Habitat Restoration.** As a significant part of the Watershed Initiative, the Budget provides \$8 million and 10 personnel years to provide watershed grants and technical assistance to local governments, resource conservation districts, and community-based watershed groups. DFG, together with the Departments of Forestry and Fire Protection, Conservation, and the State Water Resources Control Board, will provide technical assistance and project oversight on watershed assessment and basin planning efforts through a coordinated program under the Governor's Watershed Protection and Restoration Council. Included in the proposed amount is \$7 million for grants to projects that restore coastal anadromous fish pursuant to Chapter 293, Statutes of 1997.

Additionally, the Budget proposes \$11.7 million in Proposition 204 bond funds and 20 personnel years to enhance and restore California's Central Valley anadromous fish habitat and population. Included in that amount is \$10 million for habitat restoration and enhancement projects in the Central Valley and San Francisco Bay/Sacramento-San Joaquin Delta.

**Expanded Hunting and Fishing Opportunities.** The Budget proposes \$2.1 million and 18 personnel years to continue and expand DFG's urban fishing and education program in the San Francisco Bay area, the Los Angeles basin, and Fresno. This also includes programs to develop new additional hunts statewide, increase access to other public lands for hunting, and provide information on hunting opportunities statewide.

**Strengthen Field Biologist Effectiveness.** To provide training, equipment, and other resources necessary for field biologists to perform their jobs safely, efficiently, and effectively, the Budget proposes to increase support for field biologists by \$1.2 million. This

augmentation will fund basic operating expenses for field biologists, ensure cost-efficient and scientifically productive use of the research vessel "Mako," and replace marine research vessels and air boats.

**Funding Realignment.** Consistent with Chapter 293, Statutes of 1997, the Budget proposes to shift \$10.5 million in expenditures from the Fish and Game Preservation Fund to the Natural Resources Infrastructure Fund for activities related to its duties as a trustee agency for fish and wildlife resources. Those duties include, but are not limited to, reviewing environmental documents, consulting with lead and responsible agencies, recommending mitigation measures, developing monitoring requirements, performing resource assessments, and developing and implementing conservation plans for fish and wildlife resources.

**Capital Outlay.** The Budget proposes \$2.4 million for DFG capital outlay projects which are outlined in the Capital Outlay section.

## WILDLIFE CONSERVATION BOARD

The Wildlife Conservation Board (WCB), working in conjunction with the Department of Fish and Game, acquires, preserves, protects, develops, enhances, and restores wetlands, riparian habitat, wildlife habitat, and lands supporting California's unique, threatened or endangered plants, animals and natural communities, and provides access to the State's fish and wildlife natural resources. The Budget proposes \$28.2 million and 14 personnel years for the WCB's state operations, local assistance, and capital outlay programs.

The Budget proposes \$21 million for various habitat restoration and land acquisitions that will fulfill the requirements of the Habitat Conservation Fund as established under Proposition 117. Included in that amount is \$6.4 million to match another \$4.5 million in federal funds to be received by WCB. The Budget also proposes \$1.4 million for the

construction of public access projects and wildlife habitat land acquisitions.

## DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The mission of the Department of Forestry and Fire Protection (CDF) is to protect the people of California from fires, respond to emergencies, and protect and enhance forest, range and watershed values that in turn provide social, economic, and environmental benefits. CDF provides fire prevention and suppression for approximately 36 million acres of publicly and privately owned wildlands and administers local government fire protection under contract. CDF regulates logging practices on private forestland, provides advisory assistance on forest management to landowners, administers urban forestry grants, regulates controlled burning of brush lands, and manages eight state demonstration forests and two state nurseries. The Budget proposes a total of \$437.2 million and 5,031 personnel years for CDF's state operations and local assistance.

**Watershed Initiative.** The Budget proposes \$120,000 in reimbursements from the Department of Fish and Game and 2 personnel years to support CDF's participation in the Governor's Watershed Initiative. CDF, along with staff from the Departments of Conservation, Fish and Game and the State Water Resources Control Board, will conduct watershed assessments and identify critical environmental problems in high-priority watersheds. This is an innovative, community-based watershed habitat approach to manage and restore critical watershed habitat. Concurrently, the Initiative is designed to streamline existing resource extraction permit processes by transitioning from the time-consuming and costly single project analysis system to a more broadly based resource management approach.

**Airtanker Retrofit.** In 1995, a plan was approved to begin retrofitting CDF's S-2 airtankers that are used for wildland fire suppression. The Budget Acts of 1995 and 1996 each appropriated \$10 million to retrofit 8 of



14 airtankers. Upon conclusion of the competitive bid process for the retrofit contract in September 1996, it was determined that the \$20 million would only provide sufficient funding for the completion of six of the eight planes. The Budget proposes \$4.3 million to fully fund the acquisition of the 8 retrofitted aircraft.

**Fire Season Staffing.** Over the years, CDF's base funding for initial attack firefighting efforts has eroded to such an extent that it is not able to meet its staffing standards without budget augmentations apart from the Budget Act. Current base funding will only cover the peak fire season with limited funding left for the transition periods just prior to, and just after, the peak fire season. As a result, CDF modified its standards to ensure that its initial attack resources are fully staffed as often as possible during the critical peak fire season. However, this has resulted in staffing shortages elsewhere in CDF's firefighting system during the declared fire season. Consequently, when severe fire conditions have necessitated, personnel have been called in on an overtime basis to fully staff CDF's initial attack efforts.

The inability of CDF to fully staff its initial attack firefighting resources is evident in that CDF has received one-time fire season augmentations to its base level funding in 10 of the past 12 years. These augmentations have totaled \$60.5 million, an average of over \$5 million per year during the 12-year period. In response, the Budget proposes an augmentation of \$6.8 million and 130 personnel years to fully staff CDF's initial attack resources in accordance with newly adopted Board of Forestry standards. With the revised staffing levels, CDF will no longer need to request one-time staffing augmentations on a regular basis. It is anticipated that the need for any augmentations above the proposed base level funding will only be for specific fire conditions in specific regions of the State, rather than on a statewide basis, as the case has been in the past.

**Capital Outlay.** The Budget recommends a total of \$32.3 million General Fund for CDF's capital outlay program to address infrastructure improvements necessary to maintain fire protection efforts. These proposals are outlined in the Capital Outlay section.

## DEPARTMENT OF WATER RESOURCES

The mission of the Department of Water Resources (DWR) is to manage the water resources of California, in cooperation with other agencies, to benefit the State's people and to protect, restore, and enhance the natural and human environments. DWR operates the State Water Project (SWP), which consists of 27 dams and reservoirs, 26 power and pumping plants, and over 700 miles of aqueduct. DWR also manages the state water bank purchasing water from districts or agencies with surplus water in storage and from farmers or districts that can replace their surface supply by pumping groundwater. The Budget proposes a total of \$356.8 million and 2,741 personnel years for DWR's state operations and local assistance programs.

**DWR Baseline Program Fund Shift.** The Budget proposes a shift of \$12.1 million currently funded from the California Water Fund (CWF) to the General Fund. Due to various statutory offset provisions, and other Budget Act fund shifts from the General Fund to CWF, the State Water Project will have repaid its \$432.8 million debt to CWF by June 30, 1998. As a direct result, there will no longer be any money in CWF available for the support of various DWR baseline programs that had been shifted from the General Fund to CWF in previous years. These program activities are critical to DWR's mission of ensuring an adequate water supply for the State as well as ensuring that the various components of the State's water delivery system are operated in a manner that assures public safety and prevention of damage. As such, it is crucial that these programs be shifted back to the General Fund in 1998-99.



**Flood Protection.** As a result of catastrophic flooding in 48 counties from the storms of January 1997, the Governor convened the Flood Emergency Action Team (FEAT) to facilitate the State's response to and recovery from the disaster and to improve the State's ability to minimize future flood damage. With input from local governments and the public, FEAT made recommendations in four major areas: 1) needed improvements in emergency response capabilities; 2) floodplain management; 3) flood control system restoration and improvement; and 4) the need for further studies and investigations.

The Budget for 1998-99 includes \$5.6 million for continued funding for FEAT-recommended flood center tracking and computer mapping, proactive floodplain management, and improved inspections of levees, structures, designated floodways, and levee encroachment construction. In addition, the Budget proposes an additional \$4.1 million for the removal of sediment deposits within the Colusa Bypass as recommended by FEAT report. These deposits have reduced the flow capacity of the bypass and the efficiency of the flood control system by forcing flood flows to remain in the Sacramento River.

**Capital Outlay.** The Budget proposes a total of \$21.8 million (\$18.1 million General Fund and \$3.7 million in local reimbursements) for three new and six continuing flood-control related projects in accordance with the recommendations of the FEAT report. The Budget also includes \$1.6 million from Proposition 204 for continuing the South Delta Barrier project to improve Delta water flows. These projects are further outlined in the Capital Outlay section.

DEPARTMENT OF CONSERVATION

The mission of the Department of Conservation (DOC) is to provide stewardship for the State's earth resources by fostering the wise use of California's land, energy, and minerals. The Department serves the people of California through policy direction, education, regulation, and dissemination of information concerning agricultural and open

space lands and soil; recycling; geology and seismology; and mineral, geothermal, and petroleum resources. The Budget proposes \$378.5 million and 596 personnel years for the Department's state operations and local assistance programs.

**Agricultural Land Conservation.** The Agricultural Land Stewardship Program was established by Chapter 931, Statutes of 1995, to protect and conserve prime agricultural land threatened by development, thus resulting in the permanent loss of this valuable environmental and economic resource. This Program identifies agricultural lands that are subject to immediate development pressures and offers grants to local governments and non-profit entities for the purchase of conservation easements to retain these lands for agricultural uses in perpetuity. The Budget proposes a \$3.7 million for support of the Agricultural Land Stewardship Program in 1998-99.

**Watershed Initiative.** The Budget proposes \$89,000 in reimbursements from the Department of Fish and Game to support the DOC's participation in the Governor's Watershed Initiative. DOC, along with the Departments of Fish and Game, Forestry and Fire Protection, and the State Water Resources Control Board will conduct watershed assessments and identify critical environmental problems in high-priority watersheds. This is an innovative, community-based watershed habitat approach to manage and restore critical watershed habitat. Concurrently, the Initiative is designed to streamline existing resource extraction permit processes by transitioning from the time-consuming and costly single project analysis system to a more broadly based resource management approach.

**Beverage Container Recycling Program.** The objectives of this Program are to ensure: 1) each beverage container type included in the Recycling Program reaches an 80 percent recycling goal; 2) litter is reduced statewide; and 3) recycling opportunities maximize convenience to the extent possible.

The Budget proposes \$338.9 million and 181 personnel years in support of the Beverage Container Recycling and Litter Reduction Program. This reflects the final year in a four-year program of Recycling Program reductions within the DOC's Division of Recycling as mandated in Chapter 624, Statutes of 1995.

## CALIFORNIA CONSERVATION CORPS

The mission of the California Conservation Corps (CCC) is to provide meaningful work and educational opportunities to assist youth in becoming more employable while protecting and enhancing California's natural and human resources. By bringing California's youth and the environment together, the CCC provides substantial benefits to both. The Budget proposes \$77.3 million for CCC operations and 479 personnel years.

Each year, the CCC completes more than three million hours of natural resource work and disaster assistance. The 2,550 corpsmembers budgeted in 1998-99 will work for local, state, and federal agencies in cities and rural areas. Typical projects include landscaping and construction work, trail building, wildlife habitat rehabilitation, stream and creek clearance, erosion control efforts, retrofitting work for energy savings, and historic renovation. CCC also serves as one of California's emergency response forces providing assistance in earthquake recovery, firefighting, flood control, oil spill clean up, and snow removal.

During the course of their year in the CCC, corpsmembers prepare for the work force by developing job skills and strengthening academic skills. Corpsmembers take classes ranging from GED instruction to community college courses. The learning centers also have computer laboratories to boost computer literacy.

**Corpsmember Expansion.** For more than 20 years, CCC has demonstrated the potential of California youth to be willing, capable, and valuable contributors to meeting

- the State's needs. Building on this track
- record of success, the Governor committed to
- increasing the size of CCC by the year 2000.
- Through the Budget, the Administration will
- have met this commitment one year early by
- proposing budgeted resources to employ
- 2,550 corpsmembers (a 50 percent increase
- over the 1,700 corpsmember level in 1994-
- 95). These additional employment opportuni-
- ties will provide youths with better educa-
- tion, work experience and job skills, and an
- appreciation of California's environment and
- natural resources. This will result in better
- citizens and leaders for California's future.

- In fulfilling this commitment, the Budget
- proposes a continuation of \$8 million from
- the Petroleum Violation Escrow Account for
- an energy assistance program. This program
- will meet the demands of those individuals
- who currently are not eligible for existing
- federal funds through the Department of
- Community Services and Development
- (CSD). In addition, the Budget also proposes
- continued funding of \$2.1 million for support
- of the Southern California Energy Center to
- provide 90 corpsmembers with education,
- training, and job skill development in areas
- of energy conservation; \$587,000 for the
- Solano County Energy Conservation Program
- to perform lighting retrofits and energy audits
- of public buildings; \$285,000 for the
- Backcountry Trails Program for wilderness
- trail construction, repair and maintenance;
- and \$615,000 from the California Tahoe Con-
- servancy to participate in the removal of
- dead and diseased trees under the Tahoe
- Re-green Program.

## State Conservancies

- The Budget proposes \$4.3 million in support,
- 50 personnel years, and \$25.2 million for
- capital outlay and local assistance from vari-
- ous funding sources for the **State Coastal**
- **Conservancy.** The Conservancy assists in the
- preservation of sensitive or unique coastal
- property, increases public access to coastal
- areas, resolves coastal land use disputes, and
- provides grants for various coastal activities.



As part of the Governor's Ocean and Coastal Initiative, the Budget proposes \$6.8 million General Fund and \$5.7 million in special funds and nongovernmental cost funds. The \$6.8 million General Fund (including \$0.2 million state operations and 3 personnel years) is proposed for the Southern California Wetlands Clearinghouse. The \$5.7 million from various sources will fund coastal access projects in the San Francisco Bay Area and along the California coastline.

The Budget also proposes \$5 million General Fund to acquire and restore coastal wetland and watershed habitats in San Diego County to help implement the NCCP Planning Program currently underway. This complements the efforts proposed to be undertaken by the Department of Fish and Game and the Wildlife Conservation Board.

In accordance with the California Wildlife Protection Act of 1990, the Budget further includes \$4 million from the Habitat Conservation Fund to be used for coastal resource enhancement activities. In addition, the Budget includes \$2 million in federal funds and \$1.8 million in reimbursements for coastal resource development and enhancement projects.

The Budget proposes \$3.5 million and 28.5 personnel years for support, \$4 million for local assistance, and \$16.7 million for capital outlay for the **California Tahoe Conservancy**. The Conservancy acquires, preserves, and manages lands in the Lake Tahoe region to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas.

The Budget proposes \$687,000 to continue funding of the Tahoe re-green program to address the dead and dying tree crisis in the Tahoe Basin and on Conservancy landholdings through fuel reduction and land management contracts. Of this amount, \$615,000 will be used to contract with the California Conservation Corps for staff and crews for the Tahoe re-green effort. In addition, the Budget includes \$4.5 million in ongoing General Fund, \$11 million in special funds and \$244,000 in reimbursements

to fund critical capital outlay and local assistance programs as part of the Tahoe Initiative. These funds reflect the State's commitment to the Lake Tahoe Environmental Improvement Program. Program funding will provide for acquisition, construction and restoration projects to enhance public access, wildlife habitat protection, soil erosion control, stream environment zone and watershed restoration, and lake water quality. The Conservancy also plans to spend \$5 million in continuously appropriated funds from Proposition 204 for water quality improvement projects.

The Budget includes \$195,000 and 2 personnel years for support and \$5 million for capital outlay for the **San Joaquin River Conservancy**. The Conservancy acquires and manages public lands within the San Joaquin River Parkway for conservation and public enjoyment. The Budget also proposes \$185,000 from the California Environmental License Plate Fund (ELPF) and \$10,000 in reimbursements for administrative support to allow the Conservancy to develop funding sources for its five-year capital outlay plan and pursue self-sufficiency. The Budget also proposes providing \$5 million in reimbursement authority to allow acceptance of grants for acquisition and enhancement of lands within the parkway area.

The Budget proposes \$263,000 and 2 personnel years for support and \$540,000 for capital outlay for the **Coachella Valley Mountains Conservancy**. The Conservancy acquires and holds public lands in the mountainous area surrounding the Coachella Valley for conservation and public enjoyment. The Budget proposes \$133,000 from the ELPF for administrative support. This funding will assist the Conservancy to develop funding sources for its five-year capital outlay plan.

The Budget includes \$594,000 and 5 personnel years for the **Santa Monica Mountains Conservancy**. The Conservancy acquires, restores, and protects lands in the Santa Monica Mountains Zone and Rim of the Valley Corridor. The Budget proposes \$107,000 from the ELPF, \$447,000 from the Santa Monica Mountains Conservancy Fund, and



\$40,000 in reimbursements for administrative support to facilitate conservation of open space and improve recreational opportunities.

## DEPARTMENT OF BOATING AND WATERWAYS

The mission of the Department of Boating and Waterways (DBW) is to provide for public safety and access for the recreational boaters of California through programs that: 1) fund the construction and improvement of small craft harbors and boat launching facilities; 2) provide boating safety education; 3) equip and train marine law enforcement personnel; 4) control beach erosion and the water hyacinth in the Sacramento-San Joaquin Delta; and 5) license vessel brokers and for-hire operators. To fulfill the DBW's mission, the Governor's Budget proposes \$52.4 million in expenditures and 83 personnel years.

With these funds, the Budget proposes \$8.7 million for small craft harbor loans to public agencies to make access and shoreline improvements, construct new berths, and repair existing facilities; \$12.3 million for grants to construct new and improve existing boat launching facilities on lakes and rivers; \$6 million for loans for private marina development and improvements; and \$1 million to remove abandoned vessels in public waters, pursuant to Chapter 930, Statutes of 1997.

Additionally, consistent with the Ocean and Coastal Initiative, the Budget proposes \$200,000 to enhance DBW's Coastal Data Information Program to include measurements of wind and short-period wind waves to aid in the prediction of large wave events.

**Capital Outlay.** The Budget includes \$6.1 million in Harbors and Watercraft Revolving Fund monies to construct boating facilities on State Parks, regional parks, and federal lands for public recreation and develop boating instruction and safety centers. These projects are outlined in the Capital Outlay section.

## ENERGY COMMISSION

The Energy Resources Development and Conservation Commission is charged with encouraging a reliable and affordable energy supply while supporting policies which also address the need to protect the environment and maintain the health, safety, and general welfare of California's citizens. The Commission approves siting of new power facilities and encourages both measures to improve efficient uses of energy as well as alternative ways to conserve, generate, and supply energy.

Chapter 854, Statutes of 1996, enacted landmark energy legislation that deregulates California's electrical industry. This statute assigns the Commission the responsibility for two public interest grant programs—Research Development and Demonstration (RD&D) and Renewable Technologies—which will be funded through ratepayer funds. The Budget includes \$37.9 million for the RD&D program. Chapter 915, Statutes of 1997, authorized program funding for the Renewable Technologies program to be continuously appropriated. Staffing issues related to both public interest programs will be addressed in the spring.

The Budget also proposes \$700,000 in Diesel Emission Reduction Funds to continue the Commission's efforts to research, develop, and demonstrate clean fuels and technologies as mandated by Chapter 940, Statutes of 1989; \$951,000 to continue the Safe School Bus Clean Fuel Efficiency Demonstration Program; and \$1,500,000 in Petroleum Violation Escrow Account funds to continue California's energy transportation programs.

# TRADE & COMMERCE

The Trade and Commerce Agency serves as the State's primary organization for promoting business development and job retention efforts. Business development activities include: assisting in-state expansion of existing companies; encouraging the growth of emerging industries, technologies, and small businesses; developing and overseeing international trade policy and marketing through export finance, foreign trade and investment functions; and providing business assistance services through four regional economic development offices within California and seven international trade and investment offices.

In providing business assistance services, the Agency works directly with domestic and international businesses, as well as with economic development corporations, chambers of commerce, regional visitor and convention bureaus, and permit-issuing governmental agencies. These efforts aid the development of California's economy by retaining or expanding specific business operations in the State, as well as by marketing California's overall business climate. Services to the business community are provided through the Offices of Permit Assistance, Strategic Technology, Business Development, Tourism, Marketing and Communications, California-Mexico Affairs, and the California Film Commission.

The Budget proposes total expenditures of \$83 million and 316 personnel years for the Trade and Commerce Agency.

California's long-term economic health depends on adequate private and public investments in infrastructure. The Budget includes \$50 million from the General Fund to capitalize the Infrastructure and Economic Development Bank. In addition, the Administration proposes \$200 million from general obligation bonds. The Bank's objective is to assist local governments in developing the infrastructure and public improvements necessary to create jobs and attract private investment. The Budget includes start-up expenditures of \$459,000.

An augmentation of \$3 million is included to allow the Small Business Expansion Fund to reach its maximum loan guarantee level under statute. Through loan guarantee services, eight Small Business Finance Development Corporations and six satellite offices enable small businesses—which otherwise would be denied conventional loans—to obtain financing to expand their businesses and create employment. The augmentation will expand the amount of loan guarantees from \$89 million to \$133 million by 2000-01, assisting in the creation of approximately 4,400 additional jobs per year.


California's foreign office program is an important component of the Administration's effort to create jobs by expanding exports and attracting foreign

investment. In support of these objectives, the Budget provides \$1 million from the General Fund for four additional foreign trade offices—Singapore, South Korea, China, and Brazil—to provide representation and services to California companies. These sites were recommended as priorities for expansion in the July 1995 study prepared by the California State World Trade Commission.

The Commission considered both economic and strategic factors in establishing priorities for new office sites. Economic factors—including market size and stability, economic and infrastructure development, and current levels of trade—point to East Asia as the most promising region for trade offices. Within this region, South Korea is a likely site to produce strong benefits, since California exports accounted for one-third of all U.S. exports to this country in 1996 and supported approximately 123,000 jobs in the State.

China—the largest emerging market in the world—is also a promising trade office site based on economic considerations. Shanghai is the historic business center of China’s hybrid socialist market, and will complement the State’s efforts in the westernized economy of Hong Kong. With Asian economies and financial systems in a period of transition, California firms can take advantage of opportunities if they are assisted by on-site foreign office staff familiar with these changing circumstances.

Strategic factors—including both the presence of underserved markets as well as demand by California firms for on-site assistance—point to South America and Southeast Asia as new sites for trade office expansion. Brazil is quickly becoming California’s largest export market in South America, and Singapore is the most prosperous country in Southeast Asia. Both serve as hubs for businesses in their respective regions. The Singapore government has proposed to begin working immediately with California to develop a long-term strategic plan for reciprocal trade and investment.

•  Expansion of the Small Business Development Center Program is proposed with \$852,000 from the General Fund, matched with federal funds of the same amount. Through its 45 offices, the program provides business assistance, consulting services, and educational workshops. In 1996, the centers helped to create and retain over 17,000 jobs, while training over 35,000 clients in 1,800 workshops.



# BUSINESS, TRANSPORTATION, & HOUSING

The Business, Transportation, and Housing Agency provides leadership and oversight of the state programs that develop and maintain California's transportation infrastructure, ensure efficient and fair markets for real estate, financial businesses and managed health care service organizations, and assist community efforts to expand the availability of affordable housing for a growing workforce—components necessary to sustain California's expanding economy.

In addition, the Agency contributes to public safety through the law enforcement activities of the California Highway Patrol and the Department of Alcoholic Beverage Control.

Figure BTH-1 displays the funding proposed in the California Business, Transportation, and Housing portion of the Budget. The majority of the funding is provided from special fund revenues and federal funds. Significant General Fund expenditures are made for General Obligation bond debt service for voter-authorized transportation, bridge seismic retrofit, and to support a variety of programs in the Department of Housing and Community Development.

## TRANSPORTATION

Transportation and related public safety programs are provided by the Department of Transportation, California Transportation Commission, California Highway Patrol, Department of Motor Vehicles, Office of

Traffic Safety, and local government agencies. Most of the revenue to support transportation comes from state and federal fuel taxes, the sales and use tax on diesel fuel, motor vehicle license and registration fees, weight fees for trucks and trailers, and local sales taxes. The Budget proposes approximately \$8.2 billion for roads, highways, mass

**FIGURE BTH-1**

### Business, Transportation, and Housing Proposed 1998-99 Expenditures All Funds

(Dollars in Thousands)

	State Operations	Local Assistance & Capital Outlay
Agency Secretary	\$2,317	—
Department of Alcoholic Beverage Control	33,011	\$1,500
Alcoholic Beverage Control Appeals Board	727	—
Department of Financial Institutions	19,012	—
Department of Corporations	36,722	—
Department of Housing and Community Development	36,233	123,746
California Housing Finance Agency	15,671	—
Office of Real Estate Appraisers	4,230	—
Department of Real Estate	29,068	—
California Transportation Commission	2,420	225,000
Special Transportation Programs	—	100,259
Department of Transportation	2,163,650	4,245,913
High-Speed Rail Authority	3,000	—
Office of Traffic Safety	14,908	10,682
California Highway Patrol	872,377	176
Department of Motor Vehicles	584,073	12,474
Stephen P. Teale Data Center	85,805	—
Bond Debt Service	322,871	—
<b>Totals</b>	<b>\$4,226,095</b>	<b>\$4,719,750</b>

transit, vehicle licensing and registration, and highway law enforcement.

## DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system of more than 48,500 lane miles of highways and freeways, and provides rail passenger services under contract with Amtrak.

Caltrans also provides technical assistance and development loans to more than 100 of California's public general aviation airports. The Budget proposes total expenditures for Caltrans of over \$6.4 billion from federal funds, reimbursements, and various state funds, and staffing of 18,253 personnel years.

### Capital Program: Transition to a New System for Financing Transportation Projects

Chapter 627, Statutes of 1997, modified the programming and financing of highway transportation projects to give regional transportation planning agencies more authority and responsibility for program decisions, simplify the programming process, and enhance accountability for project delivery.

**Transition to Four-Year 1998 State Transportation Improvement Program (STIP).** The new law modifies the STIP by requiring a six-year transition STIP (instead of a seven-year plan as required under previous law), sets the requirements for a new 1998 STIP fund estimate, and revises the eligibility criteria for STIP transportation projects. The year 2000 STIP will cover four years of capital outlay programming.

**Program Consolidation.** The Chapter consolidates eight transportation categorical programs into two programs—Regional Improvement and Interregional Improvement. The Regional Improvement Program is allocated 75 percent of the available funds for projects nominated by regional transportation agencies in their Regional Transportation Improvement Programs (RTIPs). The

Interregional Improvement Program is allocated 25 percent of the funds and is available for STIP projects nominated by Caltrans.

**Geographic Flexibility.** Under the Chapter, funding for interregional projects is no longer subject to restrictive formulas for minimum county funding, and up to 10 percent may be expended on any project of statewide significance, subject only to a funding ratio of 60 percent for Southern California and 40 percent for Northern California.

**Improved Accountability.** The Chapter requires that the California Transportation Commission (CTC) approve individual projects' support costs—not just right-of-way and capital costs—and restricts the CTC from allocating funds for right-of-way acquisition and construction until design engineering has been completed, a preferred alternative has been selected, and environmental clearances have been obtained.

The chapter also requires the CTC to adopt a 1998 STIP Fund estimate by January 1998, and the six-year transition STIP not later than June 1, 1998. The fund estimate will determine the amount of funds available not only for the 1998 STIP but also for the State Highway Operations and Protection Program (SHOPP) which funds major rehabilitation projects on state highways. Additionally, the regional transportation agencies are in the process of developing their RTIPs which will be presented to the CTC in March 1998.

Until the CTC adopts the 1998 STIP fund estimate and Caltrans reviews the RTIPs, an accurate project-based estimate of workload is not possible. The Budget therefore proposes 400 personnel years and \$41.5 million to serve as an initial estimate of the resources Caltrans will need for project management and engineering support to design and deliver new capital outlay projects for the STIP and the SHOPP. As authorized by the chapter, Caltrans will submit a revised budget for its project management and engineering support staff as part of the May Revision, after the STIP Fund estimate and RTIPs are available.



The Budget reflects a capital program for non-seismic retrofit projects of \$746 million from the State Highway Account and \$1.086 billion from federal funds. These amounts will also be revised in the spring as more information is available on specific projects requested by regional agencies.

## Protection of the Transportation Investment

The Budget proposes a total of \$693 million for maintenance of the existing state highway system, including an increase of \$10 million to protect the highway system by reducing the backlog of pavement and road-bed maintenance projects. Another \$5 million has been included to maintain traffic operations system elements which convey information to motorists, such as closed circuit television cameras, changeable message signs, and highway advisory radios.

The Budget also provides \$8.8 million for Caltrans to perform maintenance operations during non-peak commute hours and at night to minimize traffic slowdowns and reduce freeway congestion during peak commuter hours. Additionally, the Budget proposes \$1 million for traffic managers who will coordinate district construction and maintenance operations.

## Seismic Retrofit and Earthquake Recovery and Restoration

Caltrans has undertaken an ambitious program to retrofit the State's bridges to withstand a major earthquake. With the enactment of seismic retrofit funding legislation—Chapter 327, Statutes of 1997, and Chapter 328, Statutes of 1997—at least \$2.54 billion is planned for seismic retrofit of the State's toll bridges. This funding solution includes \$790 million from the Seismic Retrofit Bond Act of 1996 (Proposition 192), \$745 million from the State Highway Account, up to \$130 million from the Public Transportation Account, \$48 million from toll revenues raised on the Vincent Thomas and San Diego-Coronado toll bridges, and \$827 million

- or more from the Bay Area toll bridge surcharge. Caltrans anticipates that the entire \$790 million available from the Seismic Retrofit Bond Act will be committed in the 1997-98.

- In 1998-99, Caltrans will spend \$528 million using funds from the one-dollar toll surcharge authorized by Chapter 327, from bond act funds, and from state transportation funds. These estimates assume that the west span of the San Francisco-Oakland Bay Bridge will be upgraded, and that the east span will be replaced with a basic viaduct or comparably priced suspension design. If the Metropolitan Transportation Commission chooses to construct a more expensive "signature" east span or add bicycle lanes, the Chapter requires the Commission to pay for these amenities by extending the toll surcharge.

- Chapter 328 transfers control of the Bay Area toll funds to a new toll bridge authority and requires that all revenues be transferred to a newly created Bay Area Toll Bridge Account by July 1, 1998. Consequently, the Consolidated Toll Bridge Account reflects revenues only from the Vincent Thomas and San Diego-Coronado bridges, (the new Bay Area Toll Account is established outside the State Treasury). Caltrans is negotiating with the authority on the amount of work the Department will perform in operating and maintaining the Bay Area toll bridges. The outcome of these negotiations may result in changes to the amount of reimbursements budgeted for Caltrans in 1998-99.

- In addition to retrofitting the State's toll bridges, Caltrans is retrofitting 1,155 state-owned, multiple-column bridges as part of the second phase of its highway bridge earthquake retrofit program. Phase II includes 860 bridges on which construction is complete, 252 which are under construction, and 9 which have been advertised for bids. Caltrans projects that over 90 percent of the Phase II bridges will be completed by December 31, 1997.



## Mass Transportation

Caltrans administers intercity passenger rail services on three routes: 1) the "San Diegans," which run between San Diego, Los Angeles, Santa Barbara, and San Luis Obispo; 2) the "San Joaquins," which travel between Bakersfield and Oakland; and 3) the "Capitols," which run between Roseville, Sacramento, Oakland, and San Jose.

The State contracts with Amtrak to provide these passenger rail services. The Budget includes a cost increase of \$3 million for the Amtrak contract in 1998-99. (The final cost will be determined during federal budget deliberations.) An additional \$4.3 million is proposed to operate a fifth train between Sacramento and Bakersfield, and \$5 million is proposed to initiate a fifth and sixth scheduled train on the Capitol Corridor.

Additionally, Chapter 327 renames the Transportation Planning & Development Account—a trust fund derived from fuel sales tax revenues—as the "Public Transportation Account" and modifies the distribution formula for mass transit funding. Reflecting this change, the Budget proposes over \$100 million to be allocated to regional transportation planning agencies for transit operating subsidies under the State Transit Assistance Program.

## Federal Clean Water Act Compliance

Since 1995-96, the Budget has provided \$18 million annually for Caltrans to meet Federal Clean Water Act standards for storm water flows leaving state highway right-of-way. Caltrans is using this funding to clean storm drains in the Los Angeles area and conduct environmental and engineering studies. For 1998-99, the Budget proposes an additional \$12.9 million to conduct pilot mitigation projects and drain cleaning in San Diego County as part of an effort to settle litigation in that county. Caltrans is concurrently seeking a statewide permit from the State Water Quality Control Board which Caltrans anticipates will reduce potential future litigation by specifying the statewide

standards that the department must comply with under the federal Clean Water Act.

## HIGH-SPEED RAIL AUTHORITY

Chapter 796, Statutes of 1996, created the High-Speed Rail Authority to direct the development and implementation of an intercity high speed rail service that is fully integrated with California's transportation network. The Budget proposes \$1.5 million to allow the Authority to research legal and institutional issues related to the implementation of high-speed rail in California, and to develop the detailed financial plan required by the chapter.

## DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) enhances driver safety by licensing drivers, regulating the vehicle industry, issuing identification documents, and collecting licensing and registration revenues. As part of this responsibility, DMV collects revenue for various state and local government programs and provides information from its drivers' license and registration files. The Budget proposes \$584 million and 8,956 personnel years for support of DMV in fiscal year 1998-99.

Much of DMV's staffing is determined by a workload formula based on the volume of various customer transactions and the average time to complete them. The Budget proposes 123 personnel years and \$9.7 million to address increased workload, mainly in field offices, with the objective of maintaining customer service at currently authorized levels. This augmentation also supports increased costs associated with postage, license plates, registration stickers, and the leases for the relocation of the Gilroy and Porterville field offices.

Title IV of the Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires the termination of any public benefits—such as occupational licenses and commercial drivers' licenses—issued to

undocumented immigrants and individuals whose immigration or naturalization residency status does not permit working in the U.S. The Budget proposes 32 personnel years and \$1.2 million for DMV to screen the citizenship or residency status of all new applicants for occupational and commercial drivers' licenses, as well as existing licensees.

The Budget also includes 72.8 personnel years and \$3.8 million to augment DMV's prevention, detection, and investigation of fraudulent application and issuance of drivers' licenses and identification cards. These funds will allow DMV to train field office personnel in identifying fraudulent documentation, detect records that are created fraudulently by DMV employees through an electronic audit of computer transactions, and increase investigation of individuals and employees suspected of obtaining or issuing fraudulent drivers' licenses or identification cards.

## Motor Vehicle Account Fiscal Condition

For 1997-98, the enacted Budget resolved a fiscal imbalance in the Motor Vehicle Account (MVA) by:

- ☛ Increasing the vehicle registration fee by \$1.00;
- ☛ Shifting \$31.8 million in funding for the California Highway Patrol (CHP) commercial vehicle inspections from the MVA to the State Highway Account (SHA);
- ☛ Borrowing \$35 million from the SHA, repayable by June 30, 1999;
- ☛ Increasing the vehicle transfer fee by \$5.00, phased in over three years; and
- ☛ Postponing capital outlay projects funded by the MVA.

Additionally, under existing statutory authority, the fee for reissuance of a driver's license to individuals whose license had been

- suspended or revoked was increased from \$15 to \$55. These actions brought the account into balance for 1997-98, providing an ending surplus estimated at \$62 million.
- The Budget proposes to maintain the MVA's solvency in 1998-99 by continuing to fund the CHP Commercial Vehicle Inspection Program from the SHA (\$31.8 million) and by postponing the repayment of the \$35 million loan from the SHA. These actions will produce a fund balance that is sufficient to fund a general salary increase and maintain a prudent reserve.

## DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

- The Department of Alcoholic Beverage Control licenses and regulates over 71,000 businesses which manufacture, distribute, and/or sell alcoholic beverages in California.
- The Budget proposes total expenditures of approximately \$34.5 million and 447 personnel years.
- For several years, the Administration and the Legislature have increased funds for law enforcement activities to curtail alcoholic beverage sales to minors, as well as various criminal activities associated with problem licensees. In 1997-98, the Department's budget was augmented by \$2.5 million to increase field enforcement and provide additional local law enforcement grants for more effective alcohol-related law enforcement. However, ongoing expenses exceed revenues by \$3.1 million annually, an imbalance which has been temporarily funded from the departmental special fund reserves. To sustain its enforcement activity in the future, the Department proposes legislation to abolish the current business practices fee and replace it with an enforcement surcharge on alcoholic beverage sales, distribution, and manufacturing licenses. The surcharge would generate an additional \$5.2 million in revenue.



## DEPARTMENT OF CORPORATIONS

The Department of Corporations administers the laws governing health care service plans (HMOs), the offer and sale of securities and franchise investments, the licensing and registration of securities broker-dealers and investment advisers, and the licensing and examination of mortgage brokers, finance lenders, and escrow companies.

The Budget proposes total expenditures for the Department of \$36.7 million and 467 personnel years.

The Budget includes an augmentation of \$958,000 and 16.2 personnel years for increased workload in the Consumer Services Unit. The Unit receives written requests for assistance and manages a toll-free telephone hotline for complaints from enrollees regarding their health care service plans. Calls and requests total over 140,000 annually, with a current transaction growth rate of approximately 46 percent. The proposed augmentation not only will support expanding workload, but also will fund installation of an upgraded telephone system and data processing equipment. These changes are designed to increase staff capabilities and customer satisfaction.

## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development provides leadership and policy direction to expand safe and affordable housing opportunities, administers a variety of housing finance, rehabilitation and economic development programs, and regulates manufactured housing and mobile home parks.

Housing continues to be a critical component of the economic recovery of California. The Business, Transportation, and Housing Agency plans to work with community leaders and business partners to develop reforms to further housing construction goals.

- The Budget includes \$4.9 million from the General Fund to continue a multi-year program of rehabilitating the Department's housing for migrant workers and to meet operating expenses at the migrant service centers.
- The Budget also reflects \$3.5 million for the Child Care and Development Facilities Direct Loan Program and \$3.5 million for the Child Care and Development Facilities Loan Guarantee Program. These Programs seek to expand the availability of child care in underserved areas, particularly those where large numbers of adult welfare recipients will be transitioning to work. Funding was provided in fiscal year 1997-98 from the General Fund. The Department will establish program regulations and review local funding requests in 1997-98 and carry over the balance of funds to 1998-99 to make the loans and loan guarantees.
- Additionally, \$1 million is included from the General Fund for grants to fund supervision and education of families helping to build their own homes through the Self-Help Housing Program. This reflects the Administration's commitment of ongoing funding for this program.



# GENERAL GOVERNMENT

## FRANCHISE TAX BOARD

The Franchise Tax Board administers the personal income tax, bank and corporation tax, and several non-tax collection and audit programs. These programs contribute a significant portion of the General Fund revenue.

The Budget includes \$12.8 million from the General Fund to enter a benefit-based contract to expand the newly implemented Bank and Corporation Collection Accounts Processing System to the personal income tax and other collection programs. (In a benefit-based contract, the vendor is paid through revenues generated by the project.) Funding for this project was first provided in fiscal year 1997-98 for contract negotiations and development of detailed system specifications. In 1998-99, elements of the project will generate revenues of \$16 million. Project completion is scheduled for 2000-01 with annual revenues of \$35 million.

In addition, an augmentation of \$5.1 million (\$3.5 from the General Fund and \$1.6 million from federal reimbursements) is proposed for the Board to implement three legislative measures that comply with the Federal Welfare Reform Act with respect to child support collection activities. The Board estimates child support collections associated with these measures of \$82.5 million annually.

The Budget also reflects a \$7.6 million General Fund reduction for the Bank and

Corporation Project. This Project will be completed in 1998-99 with anticipated revenues of \$259.5 million and costs of \$133.7 million over the period 1993-94 to 1998-99. Beginning in 1999-2000, the Board projects ongoing annual revenues of \$75.6 million and costs of \$16 million.

## DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The mission of the Department of Fair Employment and Housing is to promote and enforce the civil rights of the people of California by enforcing state and federal laws relating to fair employment and housing. The Budget proposes a total expenditure of \$19.2 million (\$15.2 million General Fund, \$4 million other funds) and 295 personnel years for the Department.

One of the Department's goals is to maximize the efficient use of state resources in the delivery of services to the public, with emphasis on negotiation and timely processing and resolution of discrimination complaints. Consistent with this goal, the Budget includes an augmentation of \$1.3 million General Fund and 20 personnel years for the Department to continue reducing the investigation time to process employment discrimination complaints. In addition, to maximize the efficiency of the Department's enforcement program, the Administration will submit a request in the Spring of 1998 to develop a fully automated case tracking system.

DEPARTMENT OF INDUSTRIAL  
RELATIONS

The Department of Industrial Relations (DIR) seeks to protect the workforce, improve working conditions, and advance opportunities for profitable employment. The Budget proposes \$228.9 million and 2,543 personnel years for DIR.

**Targeted Industries Partnership Program (TIPP).** The TIPP focuses on the garment and agricultural industries and works to ensure state and federal labor codes, as well as health and safety laws are enforced. The Budget proposes to convert funding for the existing program from the Benefit Audit Fund to the General Fund. In addition, \$643,000 General Fund and 10 personnel years are proposed to expand the TIPP program into the restaurant industry. There are over 47,000 restaurants in California employing approximately 2.5 million workers and these resources are necessary to follow-up and process complaints in this industry.

**Discrimination Complaint Investigation Unit.** The Budget includes an increase of \$404,000 General Fund and 6 personnel years to enhance enforcement of the State's policy and laws regarding discrimination in the workplace.

DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs is responsible for providing services to veterans and dependents of veterans, administering the Cal-Vet home loan program, assisting veterans in obtaining benefits entitled to them under state and federal law, and supporting the veterans homes in Yountville and Barstow. The veterans homes are retirement communities that provide complete medical and nursing care for eligible veterans. The Budget includes \$359.9 million (\$46 million General Fund, \$313.9 million other funds) and 1,465 personnel years for the Department.

Major budget adjustments for 1998-99 include:

• An increase of \$4.9 million for the purchase and installation of a Veterans Home Information System (VHIS) at the Yountville Veterans Home. The VHIS is identical to the system in operation at the Barstow Veterans Home and will further enhance the Department's ability to adequately control costs and maximize reimbursements.

• An increase of \$1.7 million and 34 personnel years to allow for the re-opening of Wings B and E in Holderman Hospital. These wings were closed in April 1997 so the seismic retrofit project for Holderman Hospital could be completed. These wings are scheduled to be opened in January 1999, and this augmentation will allow for an increase of 58 intermediate care beds and 84 skilled nursing beds at the Yountville Veterans Home.

• An increase of \$250,000 to be used in conjunction with funds raised by a private non-profit organization for the development of a heating ventilation and air conditioning system for the Lincoln Theater at the Yountville Veterans Home.

DEPARTMENT OF FOOD AND  
AGRICULTURE

The Department of Food and Agriculture (DFA) is responsible for protecting and promoting California's agriculture, providing leadership in the development of agricultural policy, and enforcing weights and measures standards in commerce. The DFA's activities include prevention and eradication of harmful plant and animal pests and disease; marketing and export assistance to the agriculture industry; and assistance to county agricultural commissioners and local fairs. The Budget proposes a total expenditure of \$197.8 million (\$67.1 million General Fund, \$130.7 million other funds) and 1,815 personnel years.



**Food Safety Program.** The Budget includes \$991,000 General Fund and 8 personnel years to fund the expansion of DFA's Food Safety Program. This Program is designed to develop a plan to reduce the risk of emerging pathogens at the production level of the food chain, including cheese food safety surveillance activities, review of field sanitation practices and procedures for fresh fruits and vegetables, and to address environmental waste management issues that impact food safety.

**Agricultural Parcel Inspection Program.** The Budget includes \$895,000 General Fund and 15 personnel years for the continuance of DFA's pilot Agricultural Parcel Inspection Program which would otherwise sunset on June 30, 1998, and an additional \$979,000 General Fund and 12 personnel years to fund an expansion of the Program. This Program employs roving inspection teams using specially trained canines to detect and intercept parcels containing prohibited plant material in parcel terminal points.

**Price Verification.** The Budget includes \$320,000 General Fund and 3 personnel years to provide state oversight of a comprehensive statewide scanner overcharge protection program to protect consumers from scanner transaction overcharges and assure fair competition for retail businesses.

**Agricultural Export Program.** The Budget also includes \$546,000 General Fund and 2 personnel years to facilitate export opportunities, eliminate barriers to trade, and promote California agricultural products.

## OFFICE OF EMERGENCY SERVICES

In time of a major emergency or disaster in the State, the Office of Emergency Services (OES) coordinates emergency activities to save lives, reduce property loss, and expedite recovery efforts. The Budget proposes \$48.9 million (\$25.5 million General Fund, \$18.1 million federal funds, and \$5.3 million other funds) and 542 personnel years for the operations of OES.

**Disaster Assistance Branch.** The Budget proposes a decrease of \$27.3 million (\$4.8 million General Fund, \$20 million federal funds, and \$2.5 million reimbursements) to reflect expiration of 323 positions in the Disaster Assistance Branch. These positions were provided to the OES in 1996-97 for two years to address workload resulting from the 1995 winter storms and other recent disasters.

**Local Assistance.** The Budget includes \$306.9 million (\$43 million General Fund, \$255 million federal funds, \$7 million quarter-cent sales tax funds, \$1.9 million Nuclear Planning Assessment Special Account) for payment of disaster response and recovery costs incurred by local governments and planning for safety at nuclear power plants. Of this amount, the \$43 million General Fund is for the State's share of local public agencies' costs for various past disasters including the Northridge Earthquake. In addition, the \$7 million quarter-cent sales tax funding is included for the States' share of Loma Prieta Earthquake costs.

**El Nino.** In recognition of the importance of flood preparedness, Chapter 928, Statutes of 1997 appropriated approximately \$5.4 million General Fund to the Department of Water Resources to fund activities associated with planning and advanced deployment of personnel, materials, and facilities to respond to high water events resulting from El Nino. Currently, various state agencies along with OES are making preparations to mitigate the loss of California lives and property in the event of severe winter flooding. To the extent there are state operations and/or local assistance costs as a result of El Nino which cannot be funded through a redirection of existing funding, Government Code 8690.6 authorizes the Director of Finance to provide additional disaster relief funding from the General Fund through an executive order.

**Emergency Digital Information Service.** In response to the special needs of the deaf and hearing impaired, the Budget includes \$181,000 General Fund to expand the use of television open captioning for dissemination



of emergency public information. This system will improve communication of evacuation and other emergency information to the deaf and hearing impaired during crisis.

**Mutual Aid Program.** The State of California Law Enforcement Mutual Aid Plan is the basis for emergency law enforcement operational deployment procedures within the statewide mutual aid system. As the coordinator for this system, the OES provides assistance to local governments in various ways, including development of mutual aid plans, aid in search and rescue operations, and facilitating emergency efforts during disasters. The Budget includes \$181,000 General Fund and 2 additional positions to support these functions.

## NORTHRIDGE EARTHQUAKE FINANCING

In June 1994, the Administration proposed that the non-federal share of earthquake recovery costs be funded from federal loans, and such loans were authorized by Chapter 151, Statutes of 1994. The Federal Emergency Management Agency approved potential loans totaling \$175 million. However, the State did not use the entire amount available. The portion borrowed by the State has been used to fund the non-federal share of recovery costs resulting from the Northridge Earthquake through the 1995-96 fiscal year. Beginning in 1996-97, funding for these costs was provided from the General Fund as local assistance.

As required under the terms of the loan agreements, the State made payments in the amount of \$15.3 million in July 1995, \$46.7 million in July 1996, and \$45.5 million in July 1997. This completes the full repayment of the federal loans.

## MILITARY DEPARTMENT

The Military Department is responsible for the command, leadership and management of the California Army and Air National Guard. The purpose of the National Guard is to provide military service supporting the

State as well as the nation. These services are provided through 126 armories and other base facilities located throughout California which, by agreement with the Federal government, were constructed with federal resources but are to be maintained by the State.

One of the primary missions of the Guard is to ensure the safety of the citizens of California in emergency and disaster situations. Although the federal military bases in California are downsizing, the California National Guard is actually growing in order to sustain a viable level of trained members in the event of future national emergency needs and to address state and local emergency situations. The Guard is designed to support civil authorities such as state and local law enforcement, public health, and other governmental agency staff through the deployment of reserve members and use of the armories as central operations facilities to house emergency staff responsible for strategic planning, communication, and the delivery of emergency aid services.

### Armory Infrastructure and Maintenance.

Most of the State's armories are over 50 years old and facing significant costs related to backlogged maintenance and special repair requirements. In an effort to sustain these resources as viable emergency and training centers, the Budget proposes \$2 million General Fund for special repairs and maintenance funding to begin to address the most critical repair needs of the armories.

### Los Alamitos Armed Forces Reserve Center.

To ensure that the Los Alamitos Armed Forces Reserve Center is adequately funded to continue to serve as a primary disaster command center for emergency situations in the Southern California area, the Budget proposes \$925,000 in General Fund.

**Camp San Luis Obispo.** A \$500,000 General Fund increase is also proposed for operational support of Camp San Luis Obispo, which is a critical installation for civil disturbance training for soldiers as well as state and local law enforcement agencies. This facility also serves as a central coast staging

ground and command center for emergency and disaster situations.

**California National Guard Youth Challenge Program.** The Budget proposes a \$2.3 million increase including \$200,000 General Fund and \$2.1 million in federal funds to establish the California National Guard Youth Challenge Program. This Program is intended to provide young people in California with opportunities for educational improvement and to develop life-coping strategies and job skills. The Program is designed to reach individuals between 16 and 18 years of age who are unemployed and drug free and will involve local communities and business organizations in order to provide meaningful job training opportunities for Challenge participants.

## DEPARTMENT OF CONSUMER AFFAIRS

The Department of Consumer Affairs was established to protect consumer interests through licensing and regulation of specific professions, occupations, and businesses. The Department is directed by statute to facilitate a free-enterprise market economy by educating consumers, fostering competition, guarding against fraudulent practices, and promoting consumer representation throughout all levels of government. The 1998-99 Budget proposes total expenditures of \$359.9 million and 2,977 personnel years to support the Department's various programs, boards, and commissions.

The Budget proposes an increase of \$68.5 million and 176 personnel years to address changes resulting from 1997 legislation (Chapters 801, 802, 803, and 804) which significantly revised the Smog Check Program. The increases proposed by the Budget will enable the Department to establish a program to purchase vehicles determined to be gross polluters and to subsidize the repair of vehicles owned by low-income individuals. The proposed increase will also provide the Department with the resources to ensure that the federally mandated clean air standards are met.

The Budget also includes \$6.6 million and 76 personnel years for new workload associated with Chapter 78, Statutes of 1997, which transferred the regulatory responsibilities of the Council for Private Postsecondary and Vocational Education to the Department. These new responsibilities include approving and monitoring private postsecondary institutions and developing state policies for private postsecondary education in California.

## CALIFORNIA SCIENCE CENTER

The California Science Center is an educational, scientific, and technological center intended to change the way children learn about science. The Center is in the final stages of completing construction on a new exhibition hall which is scheduled to open in February 1998. This facility, which has been constructed in support of the Museum and Exposition Park Master Plan, will include a new science center, a resource center with professional development programming for science educators, and a new state-of-the-art 3D IMAX theater.

**Exposition Park Maintenance.** In accordance with the Museum and Exposition Park Master Plan, the Budget proposes a \$644,000 General Fund increase for maintenance needs of the Park.

**Aerospace Hall.** A one-time increase of \$1.1 million General Fund is proposed to address public safety and access modifications in the Aerospace Hall building. This building, due to age and weather conditions, is in need of removal of the exterior siding, repair of water damage caused by leaking skylights, replacement of carpets, and the installation of restroom facilities.

## CALIFORNIA AFRICAN-AMERICAN MUSEUM

Exposition Park is also the home to the California African-American Museum which displays the contributions of African Americans to the arts, science, history and culture



of California. The museum presents permanent, temporary, and traveling exhibits, lectures, seminars, films, and cultural activities.

**Accreditation Resources.** The Budget proposes an additional \$370,000 in General Fund and 5 personnel years to enable the California African-American Museum to secure accreditation thereby enhancing the Museum's ability to secure increased financial support from private donors as well as access to new exhibits.

STATE TEACHERS' RETIREMENT SYSTEM

The State Teachers' Retirement System (STRS) is responsible for providing retirement-related benefits and services to teachers in public schools from kindergarten through the community college system. The Budget includes an increase of \$6.5 million and 17 personnel years for the STRS to address workload requirements and improve the delivery of services to STRS members. The increases will provide the STRS with a total 1998-99 operating budget of \$45.3 million (STRS special funds) and 463 personnel years, which represents a 16.9 percent funding and 4 percent staffing increase over current year levels.

The Budget also proposes the following STRS-related adjustments:

- **State Retirement Contributions—Class Size Reduction Program**—The State's 1998-99 retirement contributions to the STRS are estimated to be \$1 billion (General Fund), which represents a \$115 million increase over current year levels. Approximately 50 percent of the estimated budget year funding increase, or \$58 million (General Fund), is attributable to providing newly hired teachers under the Class Size Reduction program with future retirement benefit services.
- **Reduction to State Retirement Contributions—Elk Hills**—The State's 1998-99 retirement contributions to the STRS is reduced by \$320 million (General Fund)

pursuant to Chapter 939, Statutes of 1997. This measure authorized the State to reduce its 1998-99 STRS retirement contribution to the Supplemental Benefit Maintenance Account in an amount equal to the State's share of proceeds from the sale of the Elk Hills Naval Petroleum Reserve.

• **Increased Purchasing Power Protection—Retired Teachers**—In addition to the significant General Fund savings, the above noted measure also provides retired teachers with increased retirement benefit protection. Specifically, it provides a retirement benefit enhancement to STRS members by increasing their purchasing power protection benefit funding level from 68.2 percent to 75 percent of the value of the original benefit.

CIVIL SERVICE EMPLOYEE COMPENSATION

• The Budget includes \$278.9 million (\$142.5 million General Fund) to fund employee compensation increases to be negotiated and agreed to through the collective bargaining process by the Department of Personnel Administration and the 21 organizations representing civil service employees.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)—INTEREST PAYMENT

• The Budget includes \$310 million General Fund for payment of foregone interest earnings claimed by the PERS in the case of *California Public Employees' Retirement System v. Wilson, et al.*

MALIBU/ABRAMOVITZ LAWSUIT SETTLEMENT

• The judgment for the consolidated cases of *Malibu Video Systems v. Brown and Abramovitz v. Wilson* requires payment to certain special funds from the General Fund within five years but no later than June 30, 2001. An amount of \$60 million is planned for the fiscal year 1998-99 payment



from the General Fund to these special funds. This amount is reflected in the Budget as follows:

☛ \$30.4 million is shown as a transfer from the General Fund to the individual special funds and is reflected in their fund condition statements.

☛ \$29.6 million is shown as a transfer from the General Fund to an unallocated special fund account. This amount will be allocated to the special funds in the May Revision and is not reflected in the condition statements.

### THE YEAR 2000 CHALLENGE FOR CALIFORNIA

The State's critical reliance on information technology in every aspect of its business requires that high priority be placed on addressing Year 2000-related information technology activities. Recognizing this importance, the 1997 Budget Act placed \$55 million in the Budget for 1997-98 (\$25 million General Fund, \$25 million special funds, and \$5 million nongovernmental cost funds). To date, departments have requested over \$41 million from this appropriation. The Administration continues its support of Year 2000 activities by including over \$19 million in individual departments' budgets for 1998-99.

Although departments are actively resolving their Year 2000 issues, the risk posed to California by the Year 2000 challenge is not over and is not confined to computer systems. To address this challenge, the Governor issued Executive Order W-163-97, directing departments to identify and repair Year 2000 problems by the end of 1998; requiring new purchases of systems, hardware, software, and equipment be Year 2000 compliant; and limiting new computer projects to those mandated by law. The Executive Order also broadened the responsibilities of the Department of Information Technology enabling the Department to address legal issues associated with the consequences of the Year 2000 and foster solutions to the problems presented by embedded microchips (products or systems that contain microchips to perform functions such as traffic control, instruments used in hospitals or medical laboratories, and California Aqueduct monitoring).

### RENTERS' TAX CREDIT PROGRAM

The Renters' Tax Credit program has been suspended since 1993. This suspension will provide an estimated General Fund savings of \$525 million in 1997-98. The Budget proposes to eliminate the Renters' Tax Credit program effective January 1, 1998, which will result in an estimated General Fund savings of \$530 million in 1998-99.



# CAPITAL OUTLAY

The Budget proposes \$961 million in expenditures for the capital outlay program, excluding highways and K-12 schools. Funding for this program comes from a number of sources including: General Fund, various special funds, general obligation (GO) bonds, lease-revenue bonds, and federal funds.

Project funding requests are categorized as follows, and only the highest priority requests are proposed in the Budget:

**Higher Education.** Capital outlay projects consistent with the four-year funding compact for higher education.

**Correctional Public Safety.** Projects directly tied to capacity or correctional program requirements (e.g., correctional mental health facilities).

**Other Public Safety.** Non-correctional projects directly linked to a public safety concern (e.g., Office of Emergency Services operations center, Department of Justice crime labs).

**Fire and Life Safety.** Projects for code violations or other infrastructure integrity concerns which have a direct impact on the safe use of the facility or real property (e.g., potable water systems, asbestos removal, seismic improvements).

**Other Critical Infrastructure.** Projects to maintain critical program performance from a structure or piece of real property (e.g., restorations

to keep a facility open; facility changes driven by caseload, workload, population pressures, statutory, or other mandatory changes).

## **Environment/Resource Stewardship.**

Projects to protect and enhance natural resources for public enjoyment and habitat conservation (e.g., conservancy acquisitions, wetlands restoration, watershed improvement, park projects, boat ramps).

**All Other.** Any project not included in the priorities listed above.

The following figures summarize the proposed 1998-99 capital outlay program by agency (Figure CO-1), by project category

**FIGURE CO-1**

## **Recommended Funding Included in Governor's Budget by Agency**

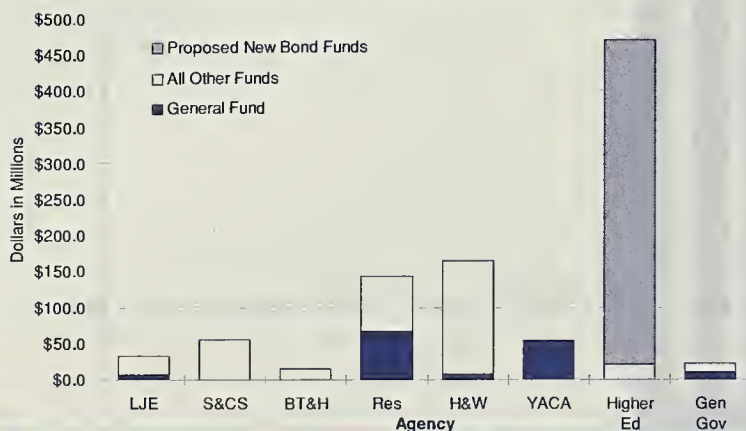




FIGURE CO-2

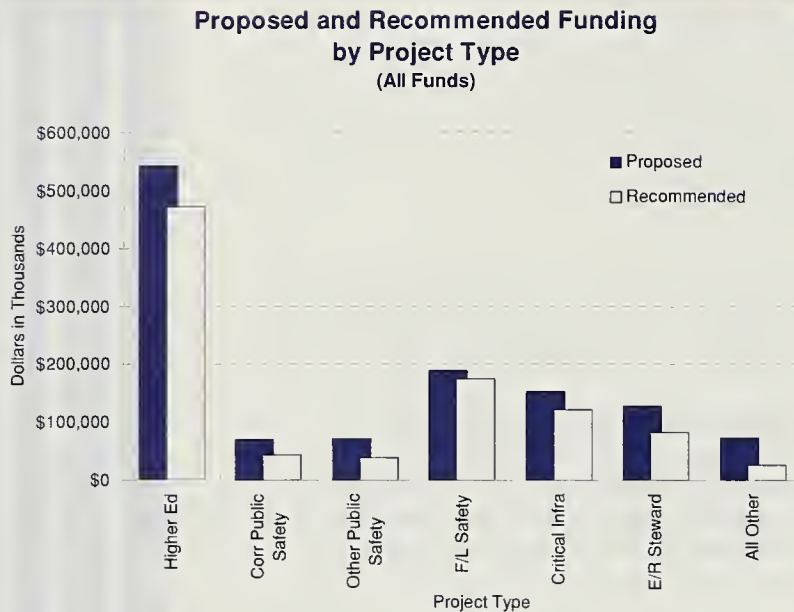
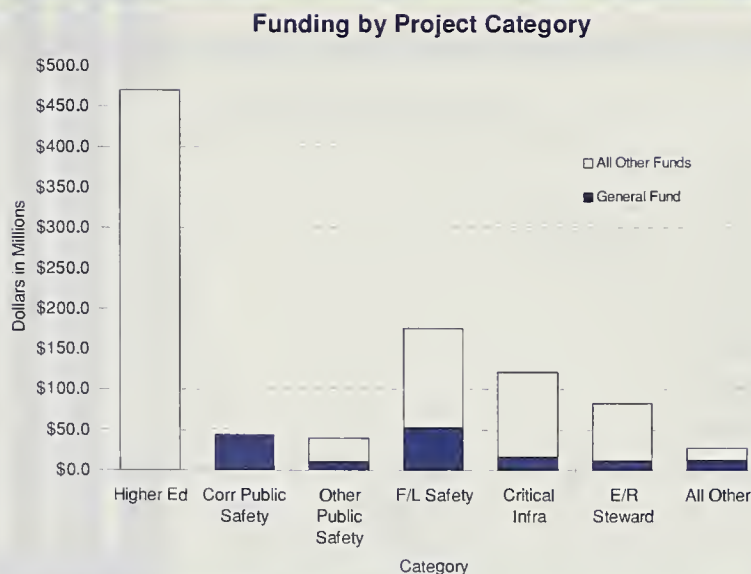


FIGURE CO-3



(Figure CO-2), and by fund source  
(Figure CO-3).

In addition to the capital outlay projects proposed in the Budget, the Administration is also proposing a significant initiative through separate legislation so that California's infrastructure can meet the State's needs as it moves into the new millennium. That initiative includes bond authority and use of federal funds to provide \$8 billion for K-12, \$1 billion for higher education, \$1.7 billion for correctional public safety, \$0.8 billion for natural resources, \$1.3 billion for water-related projects, \$0.2 billion for the Infrastructure Bank, and \$0.3 billion for other critical infrastructure. A detailed account of this initiative is contained in the Infrastructure section.

Highlights of the 1998-99 capital outlay program contained in the proposed Budget are as follows:

**\$470 million in expenditures for Higher Education from existing and proposed new GO bond funds.** The Budget reflects final-year funding for the four-year higher education compact. Compact funding is anticipated to be provided from proposed GO bonds. Included is \$151 million for the University of California (UC), \$161.3 million for the California State University (CSU), and \$158.4 million for the California Community Colleges (CCC).

This amount permits UC to address 26 major and minor projects at 9 campuses, placing priority on seismic, fire and life safety, and vital infrastructure projects. Examples of UC projects include: funding the equipment phase of previously approved construction projects; upgrades for seismic, fire and life safety, and code deficiencies; and vital infrastructure, such as primary electrical system improvements at the San Diego campus. Future growth projects are also included which will provide renovated space for programs at Santa Cruz, Davis, and San Diego.

CSU's major and minor capital outlay program funds 24 projects at 22 campuses with priority on seismic, fire and life safety, and

vital infrastructure projects, such as infrastructure improvements at the Fresno campus and the chilled water central plant at the Pomona campus. CSU's funding also includes 2 projects to correct serious code deficiencies, 3 projects to address existing space deficits, and 1 future growth project to provide a facility to house Information Technology, Instructional Computing, Computing Sciences, Health, Administration, and Student Services at the Dominguez Hills campus. CSU's program provides \$11.3 million for capital improvements for CSU Northridge's Ventura Off-Campus Center at Camarillo.

The Budget proposes to include UC as well as continue CSU's flexibility to use project savings from capital outlay projects for other high-priority items, such as beginning working drawings on approved projects or funding minor capital outlay projects. Several capital outlay needs have been met with these savings during the first three years of the compact.

Over the last decade, UC and CSU have successfully managed approximately \$3 billion in state-funded capital outlay projects. The Administration and the segments together are continuing their efforts to identify ways to streamline the capital project process to provide the flexibility and authority these segments need to expedite their capital projects within legislatively approved parameters of budget and scope.

The \$158.4 million for CCC addresses 41 projects at 33 campuses. Projects include program expansion, correction of fire and life safety deficiencies, and equipment to complete previously funded projects. Some of the larger projects for which funding is proposed include: construction of the Resource Learning Center at San Diego City College; construction of the Art Center at Orange Coast College; and construction of Instructional Facilities at Folsom Lake Center.

**\$40.7 million General Fund for the California Department of Corrections.** The Budget proposes \$40.7 million from the General Fund for: working drawings and construction for mental health care facilities; preliminary

plans and working drawings for Phase II of the Correctional Treatment Centers project; a new security perimeter fence at Patton State Hospital; study for the next phase of electric fence projects; replacement of substandard locking devices at the California Institution for Men; and preliminary plans for an effluent disposal pipeline at Sierra Conservation Center.

**\$14.2 million General Fund in the Department of the Youth Authority.** The Budget includes \$609,000 for working drawings for the installation of a statewide personal alarm system and \$1.5 million to complete the construction of a secondary perimeter security fence at the Preston Youth Correctional Facility. The Budget also includes \$4.9 million to complete the replacement of living unit doors at Heman G. Stark Youth Correctional Facility. In addition, \$837,000 is proposed for a plan to separate the male and female wards at the Ventura Youth Correctional Facility and \$716,000 is proposed for pre-construction work to construct visiting facilities at four different youth correctional facilities. Finally, the Budget includes \$3.5 million for the Department's minor capital outlay program and \$2.2 million for various small infrastructure projects.

**\$24.9 million General Fund, special and federal funds, and reimbursements in the Department of Parks and Recreation (DPR).** The DPR requires \$5.9 million from the General Fund for public safety and critical infrastructure projects. Approximately \$10.4 million in restricted funds from the Off-Highway Vehicle Fund is proposed for state vehicular recreation areas (SVRAs), particularly to establish a new SVRA in the Fresno/Southern San Joaquin area and to expand existing parks at Ocotillo Wells and Ocean Dunes SVRAs. An additional \$4.6 million in reimbursements and federal funds is proposed for various capital improvement and enhancement projects. The DPR will also use \$4 million in special and bond funds for park projects and enhancements.



**\$32.3 million General Fund in the Department of Forestry and Fire Protection (CDF).**

The CDF will undertake 32 major projects as well as a minor project program to make needed infrastructure improvements for public safety, fire/life safety, and critical infrastructure projects. Projects include: replacing telecommunication towers and vaults to ensure integrity of the State's emergency communication system; relocating or replacing 30 forest fire stations due to expiring leases, urban encroachment, and other concerns; replacing or improving 8 undersized, outmoded air attack and helitack bases; replacing/expanding 5 emergency command centers to provide modern initial dispatch and expanded dispatch facilities; and addressing health/safety concerns through water, sewer, and utility improvement projects at 12 conservation camps.

**\$25.2 million General Fund and other various sources in the State Coastal Conservancy.** The Budget proposes \$6.6 million from the General Fund and \$5.7 million in other funding for the Governor's Ocean and Coastal Initiative (see the Resources Section for a program description). Also included are \$5 million from the General Fund for the Natural Community Conservation Planning Program (NCCP). The Conservancy will also receive \$4.1 million special funds, \$2.0 million federal funds, and \$1.8 million in reimbursements for public accessways and restoration and enhancement of wetlands, estuaries, streams, watersheds, riparian corridors, and endangered species' habitats.

**\$23.4 million General Fund, Proposition 204 and reimbursements in the Department of Water Resources (DWR).** The DWR's capital outlay program includes \$18.1 million General Fund and \$3.7 million from local reimbursements for various flood control projects. The Budget also reflects the continuous appropriation of \$1.6 million from Proposition 204 for delta barrier projects.

**\$24.1 million of special funds and existing bond funds for the Wildlife Conservation Board.** The Budget proposes \$7.4 million from the Habitat Conservation Fund for the NCCP, the Rincon Creek Culvert

modification, the Heenan Lake water rights acquisition, and inland wetlands. The Budget also proposes \$5.9 million from the Wildlife Restoration Fund for NCCP land acquisition (\$4.5 million) and acquisition and development of areas in California for wildlife conservation and recreation activities (\$1.4 million).

**\$5 million reimbursements for the San Joaquin River Conservancy.** The Conservancy will undertake \$5 million in acquisition and enhancement projects within the San Joaquin River Parkway using reimbursements.

**\$6.1 million special funds in the Department of Boating and Waterways (DBW).** The DBW will spend \$6.1 million from the Harbors and Watercraft Revolving Fund for recreational boating facilities projects and for boating instruction and safety centers.

**\$2.4 million existing bond and special funds in the Department Fish and Game.** The Budget includes \$1.5 million from a number of special and bond funds for minor projects, \$300,000 for water control structures at the Napa/Sonoma Marsh Wildlife Area, and \$550,000 for a fisheries restoration project.

**\$15.7 million in existing bond funds, special funds, and reimbursements for the California Tahoe Conservancy.** Consistent with the Lake Tahoe Environmental Improvement Program, a joint effort of California, Nevada, and the federal government, the Budget proposes \$15.7 million for projects of the Tahoe Conservancy. The plan includes \$4.8 million in capital outlay projects for stream environmental zones and watershed restorations, \$3.2 million for the acquisition and improvement of public access areas and recreational facilities, and \$2.7 million for the acquisition of environmentally sensitive lands and habitat and wildlife restoration. The Conservancy's capital outlay program also reflects the continuous appropriation of \$5 million from Proposition 204 for Lake Tahoe water quality projects.



**\$540,000 reimbursements and special funds for the Coachella Valley Mountains Conservancy.** The Conservancy will undertake \$540,000 in acquisition projects using reimbursements and funding from the Coachella Valley Mountains Conservancy Fund.

**\$27 million in General Fund and lease-revenue bonds for the Office of Emergency Services.** The Budget includes \$27 million for the construction of the Headquarters and State Operations Center project in Sacramento.

**\$5.6 million General Fund in the Department of Justice.** The Budget includes \$2.5 million for acquisition and preliminary plans for the complete replacement of three Criminalistic Laboratories in Fresno, Santa Barbara, and Santa Rosa. In addition, \$1.5 million is recommended for the acquisition of the existing Eureka Criminalistic Laboratory. The Budget also includes \$1.6 million for replacement and upgrade of computer systems at Hawkins Data Center.

**\$5.2 million General Fund for acquisition of the Health and Welfare Agency Data Center.** The Budget proposes the acquisition of the 118,000 square foot facility, which the State currently leases. Of the \$5.2 million, \$3.7 million will be a General Fund loan to be repaid from the Health and Welfare Agency Fund, while \$1.5 million will be a General Fund expenditure.

**\$115.7 million from proposed lease revenue bonds for the Department of Health Services for Phase II of the Richmond Laboratory Project.** Phase I, which was initiated pursuant to Chapter 1173, Statutes of 1994, and contains approximately 160,000 square feet, will proceed to construction in the current year and will be completed in 2000. Phase II, which contains approximately 332,000 square feet, will begin construction in 1999 and will be completed in mid-2001.

**\$2.1 million General Fund for the Department of Developmental Services.** The Budget proposes \$1.1 million for construction of a Forensic Client Training Building at Porterville Developmental Center (PDC).

• The building is part of a larger security project at PDC which will address the unique security needs of forensic patients. In addition, \$1 million is proposed for major and minor capital outlay projects that are critical to both the infrastructure and client health and safety at various developmental centers.

• **\$34.3 million General Fund and proposed lease-revenue bonds for the Department of Mental Health.** The Budget includes \$33 million in lease-revenue bonds for the construction of a new 258-bed ward at Atascadero State Hospital. In addition, \$1 million is proposed for preliminary plans for an additional 258-bed ward, also at Atascadero. Both projects are in direct response to the projected influx of Judicially Committed/Penal Code patients at the state hospitals. Also, \$300,000 is proposed for preliminary plans for fire and life safety improvements at Patton State Hospital.

• **\$7.9 million in special funds for the Employment Development Department (EDD).** The Budget includes \$7.9 million to accommodate new EDD functional requirements, correct seismic deficiencies, and meet current fire and life safety and accessibility codes at various EDD offices throughout the State.

• **\$650,000 in General Fund for the Department of Food and Agriculture.** \$650,000 is proposed to fund pre-construction phases for the relocation of the Truckee Agricultural Border Station. The current station is too small to effectively and safely serve the inspection functions for which it is intended.

• **\$21 million in General Fund and federal funds in the Military Department.** The Military Department plans \$13 million to construct the new Los Angeles Armory (\$5.7 million General Fund, \$7.3 million federal funds). In addition, the Budget proposes: \$1.6 million General Fund for security lighting at various armories statewide; \$500,000 General Fund for a statewide armory facility survey; \$250,000 (\$198,000 General Fund, \$52,000 federal funds) in pre-construction costs for a new consolidated dining facility at Camp San Luis Obispo Armory; \$4.3 million (\$800,000 General Fund, \$3.5 million

federal funds) for pre-construction and construction phases for replacement and renovation of four organizational maintenance shops; \$1 million (\$100,000 General Fund, \$900,000 federal funds) for advanced plans and studies for statewide facilities; and \$500,000 General Fund in minor capital outlay projects for statewide security lighting projects.

**\$12.5 million special funds for the Department of Motor Vehicles (DMV).** The DMV will use Motor Vehicle Account funds for renovation projects at its Sacramento headquarters, to replace the Oakland/Claremont field office, and to purchase a leased facility in Long Beach.

**\$176,000 special funds for the California Highway Patrol (CHP).** The CHP will use Motor Vehicle Account funds to complete a minor remodel project; exercise property options on complete appraisals; and prepare studies, pre-planning, and budget package documents.

**\$3 million special funds for the Department of Transportation.** The Budget includes \$3 million for the construction phase of the seismic retrofit at the Sacramento Headquarters Annex.

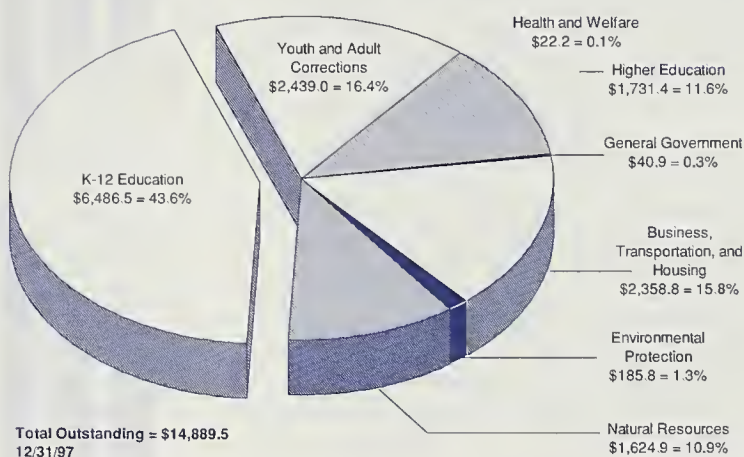
**\$55.8 million existing GO bond funds in the Department of General Services.** The Department will undertake the working drawing and construction phase of 19 seismic retrofit projects for a total of \$55.8 million at state buildings that have been identified as posing a critical safety hazard in the event of an earthquake. These projects will be funded from the Earthquake Safety and Public Buildings Rehabilitation Bond Fund of 1990.

In addition, the Department will continue to work on various office consolidation projects in Sacramento, Oakland, San Francisco, and San Diego.

**\$500,000 special funds for the California Exposition and State Fair (CalExpo).** The Budget continues the annual appropriation of \$500,000 for CalExpo's unanticipated capital outlay projects for the State Fair.

FIGURE CO-4

Outstanding General Fund  
General Obligation Bonds by Agency  
(Dollars in Millions)



## Bonds

Bonds finance a wide variety of projects benefiting the public: including schools, prisons, highways, rail transit, parks, water treatment facilities, natural resource acquisition and rehabilitation, and state office buildings.

**General Obligation (GO) Bonds.** California currently owes \$14.9 billion in principal on authorized non-self liquidating GO bonds as of the end of calendar year 1997. Figure CO-4 reflects outstanding bonds by agency. The cost to the State's General Fund for the payment of interest and redemption on these bonds is \$1.888 billion in 1997-98 and is estimated at \$2.011 billion in 1998-99 (see Figure CO-5).

**Lease-Revenue Bonds.** The State also uses lease-revenue bonds to supplement the GO bond program. The lease-revenue method of financing projects has been used



for higher education facilities, state prison construction, general-purpose office buildings, and other types of projects when a lease can be created which provides a marketable security for the issuance of the bonds.

Outstanding lease-revenue bonds totaled \$7.2 billion as of December 31, 1997 (see Figure CO-6), and are estimated to total \$7.484 billion as of June 30, 1998, and \$7.763 billion as of June 30, 1999. The cost to the State's General Fund for lease payments (principal and interest) was \$413.7 million in 1996-97 and is estimated to be \$373.7 million in 1997-98 and \$475 million in 1998-99.

The most common measure of bonded indebtedness is the ratio of net tax-supported debt to General Fund revenues. Using this measure, for 1997-98 California's debt is 3.7 percent and would rise to a maximum of 4.2 percent in 1998-99 if no other bonds are authorized. These statistics are based on general obligation debt, which relies on the General Fund for repayment (i.e., excludes self-liquidating GO debt), and on all lease-revenue debt.

This debt measure will rise to 5.9 percent in 2000-01 if the bond programs proposed in the Budget are implemented. The bond programs include \$8 billion over the next eight years for K-12, \$1 billion for higher education, \$1.4 billion for correctional facilities, \$800 million for natural resources, \$1.3 billion for water programs, \$300 million for other critical infrastructure, and \$200 million for the capitalization of the Infrastructure Bank.

FIGURE CO-5

### General Fund General Obligation Debt Service Expenditures 1996-97 through 1998-99 (Dollars in Millions)

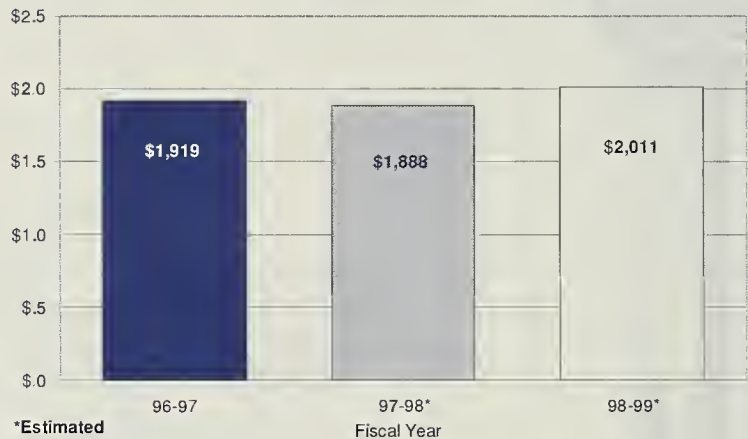
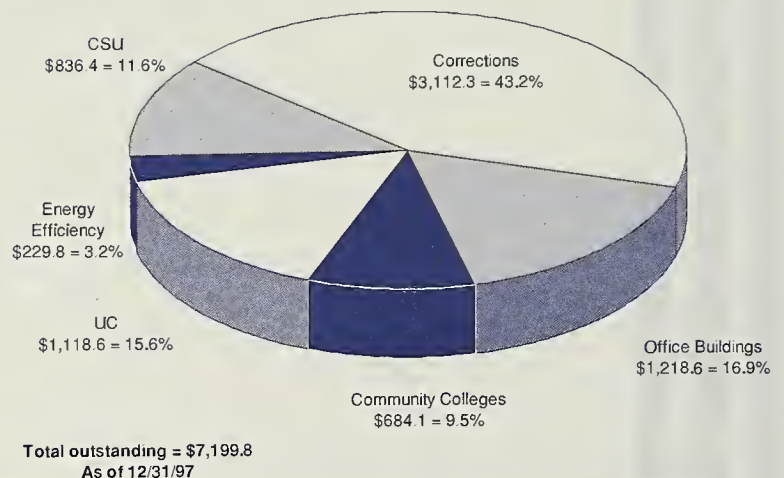


FIGURE CO-6

### Outstanding Lease-Revenue Bonds (Dollars in Millions)







# APPENDIX SCHEDULES

Appendix/Schedules

Budgetary Process

Glossary of Budget Terms

Description of Fund Classifications in the State Treasury

Description of Key Schedules

Schedules:

Schedule 1 ..... General Budget Summary

Schedule 2 ..... Total State Spending Plan

Schedule 3A .... Total State Spending Plan by Generally Accepted  
Accounting Principles (GAAP) Fund Classification

Schedule 3B..... Comparison of California's Current Fund Structure and  
Recommended GAAP Fund Structure

Schedule 4A .... Personnel Years and Salary Cost Estimates

Schedule 4B..... Positions and Salary Cost Estimates

Schedule 5A .... Statement of Estimated Accounts Payable and Accounts  
Receivable

Schedule 5B..... 1996-97 Cashflow Statement

Schedule 5C .... 1997-98 Cashflow Statement

Schedule 5D .... 1998-99 Cashflow Statement

Schedule 6 ..... Summary of State Population, Employees and Expenditures

Schedule 7 ..... General Fund Statement of Financial Condition

Schedule 8 ..... Comparative Statement of Revenues

Schedule 9 ..... Comparative Statement of Expenditures

Schedule 10 .... Summary of Fund Condition Statements

Schedule 11 .... Statement of General Obligation Bond and Commercial  
Paper Debt of the State of California

Schedule 12A .. State Appropriations Limit Summary

Schedule 12B... Statement of Revenues to Funds Excluded from the State  
Appropriations Limit

Schedule 12C .. Non-Tax Revenues in Funds Subject to the State Appropria-  
tions Limit

Schedule 12D .. State Appropriations Limit, Transfers from Excluded Funds to  
Included Funds

Schedule 12E ... Expenditures Excluded from the State Appropriations Limit  
by Agency



# Budgetary Process

The Governor's Budget is the result of a process which begins more than one year before the budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through late December. In the event that the Governor wants to change the budget presented to the Legislature, including adjustments resulting from changes in population, caseload or enrollment estimates, the Department of Finance proposes adjustments to the Legislature during budget hearings through Finance Letters. During late spring, usually May and June, the Department of Finance submits revised expenditure and revenue estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. The Department of Finance also prepares monthly economic and cash revenue updates during the fiscal year. Listed below are the key documents used in the budget process.

Title	Purpose	Prepared/Issued By	When
Budget Letters and Management Memos	Convey Administration guidelines for budget preparation to agencies and departments.	Governor/Department of Finance	January through December
Budget Change Proposal	Document which proposes to maintain or change the existing level of service.	Agencies and departments submit to Department of Finance for analysis	July through September
Governor's Budget	Governor's proposed budget for the upcoming fiscal year.	Governor/Department of Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Department of Finance	January 10
Budget Bill	Requests spending authorization to carry out Governor's expenditure plan (Legislative budget decision document).	Department of Finance/Legislature	January 10
Budget Analysis	Analysis of the budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision of General Fund Revenues and Expenditures	Update of General Fund revenues, expenditures and reserve estimates based on the latest economic forecast.	Department of Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of Governor's vetoes.	Legislature/Governor	Late June
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including budget summary schedules.	Department of Finance	Late July
Final Change Book	Update of changes to the detailed fiscal information in the Governor's Budget.	Department of Finance	Late July

# Glossary of Budget Terms

The following budgetary terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary and the annual Budget (Appropriations) Bill. Definitions are provided for terminology which is common to all publications. For definitions of terms unique to a specific program area, please refer to the individual budget presentation of interest.

## **Administration Program:**

The general program name used by departments for an accounting of central management costs such as the Director's Office, Legal Office, Personnel Office, Accounting and Business Services functions that generally serve the whole department, i.e., indirect or overhead costs.

"Administration-distributed" is the general program name for the distribution of indirect costs to the direct program activities of a department. In most departments, all administrative costs are distributed to other programs.

## **Allocation:**

A distribution of funds, or an expenditure limit established for an organizational unit or function.

## **Appropriation:**

An authorization from a specific fund to a specific agency or program to make expenditures/incur obligations for a specified purpose and period of time. The Budget Act contains many appropriations, or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made by the Legislature in the annual Budget Act and in other legislation. Continuous appropriations (see definition below) can be provided for by legislation or the California Constitution.

## **Augmentation:**

An increase to an appropriation as provided by various control sections, Budget Bill language, or legislation.

## **Authorized Positions:**

Those ongoing positions approved in the final budget of the preceding year less positions abolished because of continued, extended vacancy. The detail of authorized positions by classification is published in the Salaries and Wages Supplement for state organizations. Changes in authorized positions are listed following each department's bud-

get presentation in the Governor's Budget. (See Proposed New Positions.)

## **Balance Available:**

Generally, the portion of a fund balance which is available for appropriation. It is the excess of assets of a fund over its liabilities and reserves; or commonly called amount available for appropriation. It is also the unobligated balance of an appropriation.

## **Baseline Budget:**

A baseline budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It may include an adjustment for cost increases, but does not include changes in level of service over that authorized by the Legislature.

## **Budget, Program/Traditional:**

A plan of operation for a specific period of time expressed in financial terms. A *program budget* expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives. A *traditional budget* expresses the plan in terms of the costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget. However, a summary of proposed expenditures for goods and services (Summary by Object) is included for State Operations.

## **Budget Bill/Act:**

The initial Budget Bill is prepared by the Department of Finance and is submitted to the Legislature in January accompanying the Governor's Budget. It is the Governor's proposal for spending authorization for the subsequent fiscal year. The Constitution requires the Legislature to pass the Budget Bill and forward it by June 15 to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act. The Budget Act is the main legal authority to spend or obligate funds.

## **Budget Change Proposal (BCP):**

A BCP is a proposal to change the level of service or funding sources for activities authorized by the Legislature, or to propose new program activities not currently authorized.



**Budget Year (BY):**

The next fiscal year beginning July 1 and ending June 30 for which the Governor's Budget is submitted. The year following the current fiscal year.

**Capital Outlay (CO):**

The expenditure of funds to acquire land or pay the cost of planning and construction of new buildings, or additions to and modification of existing buildings, and the equipment which is related to such construction.

**Carryover Appropriations:**

The balance of appropriations available for expenditure in years subsequent to the year of enactment.

**Category:**

A grouping of related objects of expenditure (goods or services), such as Personal Services, Operating Expenses and Equipment, and Special Items of Expense.

**Changes in Authorized Positions:**

A schedule included in each budget presentation in the Governor's Budget which reflects personnel staffing changes made subsequent to the adoption of the current year budget (transfers, positions established and selected reclassifications). It also includes proposed new positions and reductions of positions for the budget year.

**Character of Expenditure:**

A classification identifying the purpose of the expenditures. (See State Operations, Local Assistance or Capital Outlay.)

**Codes, Uniform:**

A set of codes, used in all major fiscal systems of California state government. These codes identify organizations, programs, funds, appropriation structures, receipts and line-item objects of expenditure. The Uniform Codes Manual, published by the Department of Finance, lists all such uniform codes. (See Section 1.50 of the Budget Act for an explanation of the codes used for Budget Act appropriation items.)

**Continuous Appropriation:**

Amount, specific or estimated, available each year under a permanent constitutional or statutory expenditure authorization which exists from year to year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or whatever

amount is required for the purpose as determined by formula—such as school apportionments.

**Control Sections, Budget Act:**

The Budget Act is divided into sections. Section 1.00 establishes a citation for the legislation. Section 1.50 provides a description of the format of the act. Section 2.00 contains the itemized appropriations. Sections 4.00 through 99.50 are general sections, also referred to as control sections, which generally provide additional authorizations or place additional restrictions on one or more of the itemized appropriations contained in Section 2.00.

**Cost of Living Adjustments (COLAs)****Statutory/Discretionary:**

Increases provided in state-funded programs which include periodic adjustments predetermined in state law (statutory), e.g., K-12 education apportionments; and adjustments which may be established at optional levels (discretionary) by the Legislature each year.

**Current Year (CY):**

A term designating the operations of the present fiscal period, as opposed to the past or future periods (i.e., the time period we are in now). For the State, the fiscal year begins July 1 and ends the following June 30.

**Deficiency:**

A lack or shortage of (1) money in a fund, (2) expenditure authority due to an insufficient appropriation or (3) expenditure authority due to a cash problem, e.g., reimbursements not received on a timely basis.

**Encumbrance:**

An obligation placed on an appropriation to pay for goods or services which have been ordered by means of contracts, salary commitments, etc., but not yet received.

**Expenditure:**

Generally, this term designates the amount of an appropriation used for goods and services whether paid or unpaid, including expenses, provisions for debt retirement not reported as a liability of the fund from which retired, and capital outlays where the accounts are kept on an accrual basis or a modified accrual basis. Where the accounts are kept on a cash basis, the term designates only actual cash disbursements.

**Enrollment, Caseload, & Population (ECP):**

Adjustments that occur due to increases/decreases in enrollment for the educational seg-



ments, caseload adjustments for programs such as Medi-Cal and welfare programs, and population adjustments for state hospitals and youth and correctional facilities.

#### **Federal Funds (FF):**

In state budget usage, this term describes all funds received directly from an agency of the federal government but not those received through other state departments. Generally, state departments must initially deposit such federal funds in the Federal Trust Fund, a fund in the State Treasury.

#### **Final Budget:**

The final budget is the Governor's Budget as amended by action taken on the Budget Bill. A Final Change Book is published by the Department of Finance after enactment of the Budget Act to reflect the changes made by the Legislature in their review of the Budget Bill and by the Governor by power of line item veto. It includes a detailed list of changes by item number.

#### **Finance Letters:**

Proposals made by the Director of Finance to the chairpersons of the committees in each house of the Legislature which consider appropriations to amend the Budget Bill and Governor's Budget from that submitted January 10 to reflect a revised plan of expenditure for the Current or Budget Year.

#### **Fiscal Year (FY):**

A 12-month state accounting period which varies from the calendar year and the federal fiscal year. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended. The Governor's Budget presents three years of detailed fiscal data for the past, current and budget years.

The state fiscal year is often referenced by the first calendar year of the fiscal year, e.g., "'97" or "1997" means the 1997-98 fiscal year. By contrast, the federal fiscal year is referenced by the last calendar year of the fiscal year, e.g., "'98" or "1998" means the 1997-98 fiscal year, and lasts from October 1, 1997 through September 30, 1998.

#### **Fund:**

A legal entity that provides for the segregation of moneys or other resources in the State Treasury for specific activities or obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves and fund balance, as well as its income and expenditures. The

assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures.

(See "Description of Fund Classifications in State Treasury," which follows in this volume.)

#### **Fund Balance:**

Excess of the assets of a fund over its liabilities. (See "Balance Available.")

#### **Fund Condition Statement:**

A statement included in the Governor's Budget for the General Fund, special funds, special accounts in the General Fund, and selected bond funds and nongovernmental cost funds to disclose beginning reserves, revenues and transfers, expenditures, fund balance, and ending reserves.

#### **General Fund (GF):**

The General Fund is the predominant fund for financing state government programs. It is used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are the personal income tax, sales tax and bank and corporation taxes. A complete itemization of the revenue sources are listed in Summary Schedule 8. The General Fund is used as the major funding source for education (K-12 and higher education), health and welfare programs, youth and adult correctional programs and tax relief. Summary Schedule 9 provides a listing of expenditures for the General Fund.

#### **Intraschedule Transfer:**

A control section of the Budget Act authorizes the Department of Finance to augment or reduce any program, project, or function by transfer from any other program, or project or function within the same appropriation.

Generally, transfers cannot exceed, in the aggregate, 20 percent of the amount scheduled. Lower limits exist for appropriations which exceed \$2,000,000.

#### **Item:**

(See "Appropriation.")

#### **Governmental Cost Funds:**

(See "Special Funds.")

#### **Limited-Term Positions:**

A limited-term position is any position which has been authorized for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget enactment process

or in transactions approved by the Department of Finance.

**Line-Item:**

(See “Objects.”)

**Local Assistance:**

Expenditures made for the support of local government activities.

**Local Mandates:**

(See “State-Mandated Local Program.”)

**May Revision:**

An annual update to the Governor’s proposed January budget containing revised General Fund revenues, and specified expenditures for the Governor’s Budget. The Department of Finance is required to submit its May Revision to the Legislature by May 14.

**Merit Salary Adjustment:**

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary adjustment of 5 percent per year to recognize proficiency in the work performed up to the upper salary limit of the classification.

**Minor Capital Outlay:**

Minor Capital Outlay consists of construction projects or equipment acquired to complete a construction project estimated to cost less than \$250,000.

**Objects (line-items):**

A subclassification of expenditures based on type of goods or services. For example, the Personal Services category includes the objects of Salaries and Wages and Staff Benefits. These may be further subdivided into line items such as State Employees’ Retirement, Workers’ Compensation, etc. Objects do not reflect a function or purpose to be served by the expenditure. A Summary by Object is provided for each department’s budget in the Governor’s Budget for State Operations and Local Assistance, where applicable. The Department of Finance publishes a Uniform Codes Manual which reflects the standard line-item objects of expenditure.

**Past Year (PY):**

The fiscal year just completed. (See Fiscal Year.)

**Personnel Years:**

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position which was filled by an employee

for half of a year would result in an expenditure of 0.5 personnel years.

**Positions:**

(See “Authorized Positions.”)

**Programs:**

The activities of an organization grouped on the basis of common objectives. Programs are comprised of elements, which can be further divided into components and tasks (the lowest defined program activity).

**Proposed New Positions:**

A request for an authorization for the employment of additional people for the performance of work. Proposed new positions may be for limited time periods (limited-term) and for full or less than full-time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed.

**Proposition 98:**

An initiative passed in the November 1988, and amended in the June 1990, election which provides a minimum funding guarantee for school districts, community college districts, and other state agencies that provide direct elementary and secondary instructional programs for Kindergarten through grade 14 (K–14) beginning with fiscal year 1988–89. Also used to refer to any expenditures which fulfill the guarantee.

**Reappropriation:**

The extension of the availability of an appropriation for expenditure beyond its set termination date, usually for the same purpose. Reappropriations are usually authorized by the Legislature for one year extensions at a time.

**Receipts:**

Describes an increase in the assets of a fund including revenues as well as transfers from other funds, federal receipts and fund reimbursements.

**Reconciliation With Appropriations:**

A statement in each budget presentation which sets forth the source and amount of appropriations, by fund, available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure, i.e., State Operations, Local Assistance and Capital Outlay.

**Reimbursements:**

Amount received as a repayment of the cost of work, or service performed, or of other expendi-



tures made for or on behalf of another governmental unit or department. Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure in accordance with the budgeted amount (scheduled in an appropriation).

**Reserve:**

An amount set aside in a fund balance to provide for expenditures from the unencumbered balances of continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations and appropriations for capital outlay projects.

**Revenue:**

The addition of cash or other current assets of governmental costs funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees or investment earnings. Revenues are deposited in a fund for future appropriation.

**Reversion:**

The return of the unused portion of an appropriation to the fund from which the appropriation was made. The undisbursed portion of an appropriation reverts two years (four years for federal funds) after the last day of availability for encumbrance. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

**Salary Savings:**

Salary savings reflects personnel cost savings resulting from vacancies and downward reclassifications as a result of turnover of employees. The amount of budgeted salary savings is an estimate generally based on past experience.

**Special Fund for Economic Uncertainties:**

Statutes and the control sections of the Budget Act provide for the establishment of a Special Fund for Economic Uncertainties in the General Fund and a reserve for economic uncertainties in each special fund to provide for emergency situations.

**Special Funds:**

Special Funds is a generic term used for "governmental cost funds" other than the General Fund. Governmental cost funds generally are commonly defined as those funds used to account for revenues from taxes, licenses and fees where the use of such revenues is restricted by law for particular functions or activities of government. Examples of Special Funds are the transportation funds, fish and game funds and the professions and vocations

funds. Revenues, expenditures and the condition of Special Funds are summarized in Schedules 8, 9 and 10 in the Governor's Budget Summary.

**Staff Benefits:**

An object of expenditure for the state costs of contributions for employees' retirement, OASDI, health and welfare benefits, workers' compensation, unemployment insurance, industrial disability leave benefits and nonindustrial disability leave benefits.

**State Appropriations Limit (SAL):**

The State Appropriations Limit is defined in Section 8 of Article XIII B of the California Constitution. It was enacted by the passage of Proposition 4 at the November 6, 1979, general election. This initiative imposed a limit on the annual growth in the level of certain appropriations from tax proceeds. The growth in the appropriations limit is calculated using the prior year's limit, adjusted for changes in the cost of living and the change in population. Other adjustments may be made for such reasons as the transfer of services from one governmental entity to another.

**State-Mandated Local Program:**

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the November 6, 1979, general election. (See "Governor's Budget: 8885 Commission on State Mandates.")

**State Operations:**

Expenditures for the support of state government, exclusive of capital outlay and expenditures for local government activities.

**Summary by Object:**

A summary of actual past year and estimated current and budget year expenditures for goods and services for each organization presented for State Operations, Local Assistance and Capital Outlay expenditures.

**Summary of Program Requirements:**

At the front of each departmental budget is a Summary of Program Requirements. It presents the various departmental programs by title, dollar totals, personnel years, and source of funds for the past, current and budget years.

**Summary Schedules:**

The Governor's Budget Summary includes schedules which summarize state revenues, expenditures



and other fiscal and personnel data for the past, current and budget years.

**Tax Expenditures:**

Subsidies provided through the taxation systems.

**Transfers:**

As reflected in fund condition statements, transfers reflect the movement of resources from one fund

to another based on statutory authorization or specific legislative transfer authority.

**Unencumbered Balance:**

The balance of an appropriation after encumbrances (balances on Controller's records after accruals are posted).

# Description of Fund Classifications

## in the Treasury

Revenues and expenditures in the program budget and the summary schedules reflect the activities of many separate funds. Summary Schedule 10 provides a complete list of governmental cost funds. The Index lists those funds for which Fund Conditions are included in the budget and references the page number. General Fund and Special Fund expenditures represent the cost of government and are included in budget totals, and along with selected Bond Funds, are included in the overall expenditure totals. In 1981–82 the State of California began to change classification of funds in the state treasury to conform to Generally Accepted Accounting Principles as set forth by the National Council on Governmental Accounting. Schedule 3 includes a description of these changes and shows their effect on the budget totals.

**General Fund.** Used to account for all revenues and activities financed therefrom which are not required by law to be accounted by any other fund. Most state expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

**Special Funds.** Consists of governmental cost funds used to account for taxes and revenues which are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions and vocations; transportation; law enforcement; and capital outlay.

**General Fund Special Accounts.** Legislatively created accounts or dedicated revenues within the General Fund. Moneys credited to such accounts may be used only for the purposes specified in the legislation. As a result of Chapter 942, Statutes of 1977, these special accounts are treated as special funds, and revenues and expenditures are included in the special fund totals in the summary schedules of the budget. They are therefore excluded from the General Fund unrestricted revenues, expenditures and reserves.

**Other Funds.** Expenditures from funds which do not represent a cost of government are not in-

cluded in the budget totals. They consist of moneys which were derived from sources other than general or special taxes, licenses, fees or other state revenues. Included are receipts from the Federal Government, funds created for accounting purposes, receipts from sale of lands, or moneys held in trust. These funds are segregated into the following classifications:

**Working Capital and Revolving Funds.** Funds created to finance internal service activities rendered by a state agency to other state agencies or to local governments for which charges are made at cost. The charges are reflected as expenditures in the budget of the agency receiving the commodity or service.

**Public Service Enterprise Funds.** Self-supporting activities operated by the State for the benefit of the public. Funds are derived from charges to those who use the service and no support is derived from taxes, licenses or other state revenues.

**Bond Funds.** Used to account for the receipt and disbursement of proceeds from the sale of bonds and to finance projects for which the bonds were authorized. Expenditures are considered a cost of government at the time interest payments are made and as the bonds are redeemed.

**Retirement Funds.** Moneys held in trust by the State for retirement benefit payments.

**Trust and Agency Funds.** Funds holding moneys in trust pending disbursements to trustors, moneys received from the Federal Government to be expended for specific purposes, and other funds which do not derive their sources from taxes or other state revenues, or are in the nature of transitory funds created for the convenience of accounting receipts or disbursements which are not necessarily revenues or expenditures.

**Selected Bond Funds.** Selected bond funds are General Obligation Bond funds which are nonself-liquidating. Included in the overall expenditure totals of Schedules 1 and 9 for budget purposes are expenditures from the selected bond funds. The following page provides a complete listing of all selected bond funds.

<i>Fund No.</i>	<i>Fund Name</i>	<i>Fund No.</i>	<i>Fund Name</i>
0405	Bay-Delta Agreement Subaccount <sup>1</sup>	0714	Home Building and Rehabilitation Fund
0743	Bond Proceeds Account, State School Building Lease-Purchase Fund	0720	Lake Tahoe Acquisition Fund
0415	CALFED Subaccount <sup>1</sup>	0443	Lake Tahoe Water Quality Subaccount <sup>1</sup>
0404	Central Valley Project Improvement Subaccount	0794	Library Construction and Renovation Fund, California
0703	Clean Air and Transportation Improvement Fund	0543	Local Projects Subaccount <sup>1</sup>
0740	Clean Water Bond Fund of 1984, State	0723	New Prison Construction Fund
0737	Clean Water and Water Conservation Fund, State	0721	Parkland Fund of 1980
0764	Clean Water and Water Reclamation Fund of 1988	0722	Parkland Fund of 1984
0730	Coastal Conservancy Fund of 1984, State	0756	Passenger Rail Bond Fund of 1990
0711	County Correctional Facility Capital Expenditure Fund of 1986	0751	Prison Construction Bond Fund of 1990
0796	County Correctional Facility Capital Expenditure and Youth Facility Bond Fund of 1988	0724	Prison Construction Fund of 1984
0409	Delta Levee Rehabilitation Subaccount <sup>1</sup>	0746	Prison Construction Fund of 1986
0423	Delta Tributary Watershed Subaccount <sup>1</sup>	0747	Prison Construction Fund of 1988
0422	Drainage Management Subaccount <sup>1</sup>	0659	Public Safety Bond Fund of 1996 (Proposed)
0788	Earthquake Safety and Housing Rehabilitation Bond Account, Housing Rehabilitation Loan Fund, California	0598	Public School Facilities Fund
0768	Earthquake Safety and Public Building Rehabilitation Fund of 1990	0728	Recreation and Fish and Wildlife Enhancement Fund
0445	Feasibility Projects Subaccount <sup>1</sup>	0545	River Parkway Subaccount <sup>1</sup>
0748	Fish and Wildlife Habitat Enhancement Fund	0544	Sacramento Valley Water Management and Habitat Project Subaccount <sup>1</sup>
0547	Flood Control and Prevention Account <sup>1</sup>	0707	Safe Drinking Water Fund, California
0710	Hazardous Substance Cleanup Fund	0793	Safe Drinking Water Fund of 1988, California
0782	Higher Education Capital Outlay Bond Fund	0424	Seawater Intrusion Control Subaccount <sup>1</sup>
0785	Higher Education Capital Outlay Bond Fund of 1988	0653	Seismic Retrofit Bond Fund of 1996
0791	Higher Education Capital Outlay Fund, June 1990	0418	Small Communities Grant Subaccount <sup>1</sup>
0705	Higher Education Capital Outlay Bond Fund of 1992	0413	South Delta Barriers Subaccount <sup>1</sup>
0658	Higher Education Capital Outlay Bond Fund of 1996	0417	State Revolving Fund Loan Subaccount <sup>1</sup>
0574	Higher Education Capital Outlay Bond Fund of 1998	0742	Urban and Coastal Park Fund, State
		0446	Water Conservation and Groundwater Recharge Subaccount <sup>1</sup>
		0790	Water Conservation Fund of 1988
		0744	Water Conservation and Water Quality Bond Fund of 1986
		0419	Water Recycling Subaccount <sup>1</sup>
		0786	Wildlife, Coastal and Park Land Conservation Fund of 1988, California
		0787	Wildlife and Natural Areas Conservation Fund (subfund of 0786)

<sup>1</sup> Account or subaccount of Safe, Clean, Reliable, Water Supply Fund



# Description of Key Schedules

The Budget Summary includes summary information in various schedules. The following schedules are those which may be the most useful for the public, private sector, or other levels of government.

**SCHEDULE 1.** *General Budget Summary*—Provides for a summary of total statewide revenues and expenditures for the General Fund and Special funds plus expenditure totals for the Selected Bond funds.

**SCHEDULE 2.** *Total State Spending Plan*—Provides in a single schedule the State's total spending plan. In addition to the General Fund, Special funds, and Selected Bond funds, expenditures from Nongovernmental Cost funds, Federal funds, and reimbursements are shown.

**SCHEDULE 3A.** *Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classification*—Provides in a single schedule the State's Total Spending Plan (Schedule 2) rearranged into GAAP Fund Classifications.

**SCHEDULE 3B.** *Comparison of California's Current Fund Structure and Recommended GAAP Fund Structure*—Provides a comparison of California's Current Fund Structure to recommended GAAP Fund Classifications.

**SCHEDULE 4A.** *Personnel Years and Salary Cost Estimates*—Provides personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

**SCHEDULE 4B.** *Positions and Salary Cost Estimates*—Provides position and personnel year data and corresponding dollar amounts by functional breakdown. This schedule reflects both gross data before salary savings and net totals salaries and wages.

**SCHEDULE 5A.** *Statement of Estimated Accounts Payable And Accounts Receivable*—Provides actual payable and receivable amounts as of June 30, 1997, and estimated amounts for June 30, 1998, and June 30, 1999.

**SCHEDULE 5B.** *1996-97 Cashflow Statement*—Provides actual receipts, disbursements, borrowable resources, and loan balances for fiscal year 1996-97.

**SCHEDULE 5C.** *1997-98 Cashflow Statement*—Provides projected receipts, disbursements, borrowable resources, and loan balances for fiscal year 1997-98.

**SCHEDULE 5D.** *1998-99 Cashflow Statement*—Provides projected receipts, disbursements, borrowable resources, and loan balances for fiscal year 1998-99.

**SCHEDULE 6.** *Summary of State Population, Employees, and Expenditures*—Provides historical data of State population, employees and expenditures.

**SCHEDULE 7.** *General Fund: Statement of Financial Condition*—Provides the financial condition of the General Fund as of June 30 from the most recently available information from the State Controller.

**SCHEDULE 8.** *Comparative Statement of Revenues*—Provides General Fund and Special fund revenue detailed amounts within three main breakdowns of: (1) major taxes and licenses, (2) other revenues, and (3) transfers.

**SCHEDULE 9.** *Comparative Statement of Expenditures*—Provides a listing of expenditures in the same order as the printing of budgets displayed in the Governor's Budget for the General Fund, Special funds, selected Bond funds and Federal funds for State Operations, Local Assistance, Capital Outlay, and Unclassified.

**SCHEDULE 10.** *Summary of Fund Condition Statements*—Provides for the General Fund and each Special fund the beginning reserve, income, expenditures, transfers, and ending reserve for each of the three fiscal years displayed in the Governor's Budget.

**SCHEDULE 11.** *Statement of General Obligation Bond and Commercial Paper Debt of the State of California*—Provides a listing of all general obligation bonds including maturity dates, authorized amount of bond issues, amounts of unissued bonds, redemptions and outstanding issues. It also provides a listing of authorized and outstanding commercial paper which is issued in-lieu of general obligation bonds.

**SCHEDULE 12A.** *State Appropriations Limit (SAL) Summary*—Provides a summary of Schedules 12B through 12E, calculates the Appropriations, displays the SAL Limit, and calculates the SAL Limit Room or Surplus.

**SCHEDULE 12B.** *Revenues to Excluded Funds*—Provides a listing of revenues to special funds that are not included in the calculation of total appropriations subject to the State Appropriations Limit.

**SCHEDULE 12C.** *Non-tax Revenues in Funds Subject to Limit*—Provides a total of nontax revenues for

General and special funds deposited in funds that are included in the calculation of total appropriations subject to the State Appropriations Limit.

**SCHEDULE 12D.** *State Appropriations Limit, Transfer from Excluded Funds to Included Funds*—Provides the detail of transfers between funds that are used

in calculating the appropriations subject to the State Appropriations Limit.

**SCHEDULE 12E.** *Excluded Appropriations*—Provides a distribution of exclusions from appropriations subject to the State Appropriations Limit.

**SCHEDULE 1**  
**GENERAL BUDGET SUMMARY <sup>1</sup>**  
**(In Thousands)**

1996-97	Reference to Schedule	General Fund	Special Funds	Selected Bond Fund Expenditures	Expenditure Totals
Prior year resources available .....	10	\$774,343	\$2,354,039		
Revenues and transfers .....	8	49,219,769	13,611,554		
Expenditures .....	9	49,088,111	13,261,724	\$2,173,405	\$64,523,240
Fund Balance <sup>2</sup> .....	10	\$906,001	\$2,703,869		
<i>Special Fund for Economic Uncertainties</i> <sup>3</sup> .....		461,001	-		
<i>Reserves for Economic Uncertainties</i> <sup>3</sup> .....		-	2,703,869		
<i>Reserve for Liquidation of Encumbrances</i> <sup>4</sup> .....		445,000	-		
<b>1997-98</b>					
Prior year resources available .....	10	\$906,001	\$2,703,869		
Revenues and transfers .....	8	52,889,554	14,158,572		
Expenditures .....	9	53,021,773	14,382,957	\$2,531,497	\$69,936,227
Fund Balance <sup>2</sup> .....	10	\$773,782	\$2,479,484		
<i>Special Fund for Economic Uncertainties</i> <sup>3</sup> .....		328,782	-		
<i>Reserves for Economic Uncertainties</i> <sup>3</sup> .....		-	2,479,484		
<i>Reserve for Liquidation of Encumbrances</i> <sup>4</sup> .....		445,000	-		
<b>1998-99</b>					
Prior year resources available .....	10	\$773,782	\$2,479,484		
Revenues, transfers and other additions ...	8	55,383,129	14,720,415		
Expenditures .....	9	55,415,987	15,150,122	\$3,223,188	\$73,789,297
Fund Balance <sup>2</sup> .....	10	\$740,924	\$2,049,777		
<i>Special Fund for Economic Uncertainties</i> <sup>3</sup> .....		295,924	-		
<i>Reserves for Economic Uncertainties</i> <sup>3</sup> .....		-	2,049,777		
<i>Reserve for Liquidation of Encumbrances</i> <sup>4</sup> .....		445,000	-		

<sup>1</sup> The General Budget Summary includes the revenues and expenditures of all state funds that reflect the cost of state government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded. The amounts included in this schedule for expenditures and revenues may not agree with those shown in Schedules 8, 9 and 10 due to rounding.

<sup>2</sup> The Fund Balance for the General Fund includes amounts for unencumbered balances of continuing appropriations at the end of the 1996-97, 1997-98, and 1998-99 fiscal years of \$408,973; \$106,672; and \$50,556 (in thousands) respectively.

<sup>3</sup> The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties provide sources of funds to meet obligations of the General Fund and Special Funds in the event of a decline in revenues or an unanticipated increase in expenditures.

<sup>4</sup> The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for state obligations for which goods and services have not been received. This Reserve treatment is consistent with accounting methodology prescribed by Generally Accepted Accounting Principles (GAAP) and Chapter 1286, Statutes of 1984 (AB 3372) which requires the State to conform its fiscal management system to GAAP.



## Schedule 2 TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are: (1) funds are accounted for in a different manner, (2) duplication of expenditures result, (3) expenditures from non-state funds are included, and (4) expenditures are included for quasi-state operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in two parts. Part A summarizes those expenditures from funds traditionally included in budget totals; Part B summarizes expenditures from the other funds which are collectively identified as nongovernmental cost funds. Schedule 2, in either part, does not include reimbursements received from the public or other levels of government, as these are deducted from State expenditures.

### TOTAL STATE SPENDING PLAN—PART A GOVERNMENTAL COST, SELECTED BOND FUNDS, AND FEDERAL FUNDS

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds, which are commonly referred to as "governmental cost funds". This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees, or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The Federal funds have also been included in Part A because of increasing interest in the level of the State's expenditure of Federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and Federal funds is shown in Schedule 9.

Fund Type	1996-97* State Spending	1997-98* State Spending	1998-99* State Spending
<b>GOVERNMENTAL COST FUNDS</b>			
GENERAL FUND .....	49,088,111	53,021,773	55,415,987
SPECIAL FUNDS .....	13,261,724	14,382,957	15,150,122
SELECTED BOND FUNDS .....	2,173,405	2,531,497	3,223,188
*TOTAL FUND CLASSIFICATION GOVERNMENTAL COST FUNDS .....	<u>\$64,523,240</u>	<u>\$69,936,227</u>	<u>\$73,789,297</u>
<b>NONGOVERNMENTAL COST FUNDS</b>			
PUBLIC SERVICE ENTERPRISE FUNDS .....	4,669,070	4,383,425	4,649,880
WORKING CAPITAL AND REVOLVING FUNDS .....	1,106,913	1,060,632	1,019,472
BOND FUNDS--OTHER .....	25,176	16,997	12,408
RETIREMENT FUNDS .....	7,428,638	8,189,018	9,121,171
OTHER NONGOVERNMENTAL COST FUNDS .....	19,871,978	21,157,460	21,488,985
*TOTAL FUND CLASSIFICATION NONGOVERNMENTAL COST FUNDS .....	<u>\$33,101,775</u>	<u>\$34,807,532</u>	<u>\$36,291,916</u>
<b>FEDERAL FUNDS</b>			
FEDERAL FUNDS .....	31,385,254	33,739,978	34,420,780
*TOTAL FUND CLASSIFICATION FEDERAL FUNDS .....	<u>\$31,385,254</u>	<u>\$33,739,978</u>	<u>\$34,420,780</u>
<b>TOTAL .....</b>	<u>\$129,010,269</u>	<u>\$138,483,737</u>	<u>\$144,501,993</u>

### Total State Spending Plan—Part B Nongovernmental Cost Funds

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees, or other State revenues. Although Federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

#### PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

## WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

## BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

## RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-state sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

## OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than Federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

Funds	1996-97* Amount	1997-98* Amount	1998-99* Amount
<b>PUBLIC SERVICE ENTERPRISE FUNDS</b>			
Housing Finance Fund, California.....	12,888	13,999	13,999
Water Resources Development Bond Fund.....	302,315	320,334	329,377
Central Valley Water Project Const Fund.....	211,933	86,375	122,507
Central Valley Water Project Revenue Fd.....	232,856	225,063	241,759
Expo & State Fair Enterprise Fund, Cal.....	16,848	17,157	-
Compensation Insurance Fund.....	1,403,006	1,296,000	1,361,000
Employment Training Fund.....	147,580	85,154	85,264
Harbors and Watercraft Revolving Fund.....	46,538	73,613	57,703
Health Facility Const Loan Insurance Fd.....	35,444	4,157	4,163
Univ Continuing Education Revenue Ed, St.....	104,892	103,758	103,758
Univ Dormitory Revenue Fd, Calif State.....	68,966	74,177	74,177
University Parking Revenue Fund, State.....	31,768	37,730	37,730
Toll Bridge Seismic Retrofit Acct, STF.....	-	43,486	238,846
Unemployment Compensation Disability Fd.....	1,746,351	1,696,661	1,685,036
Veterans Form & Home Building Fund 1,943.....	298,557	290,976	276,315
OTHERS.....	9,128	14,785	18,246
<b>*TOTAL PUBLIC SERVICE ENTERPRISE FUNDS.....</b>	<b>\$4,669,070</b>	<b>\$4,383,425</b>	<b>\$4,649,880</b>
<b>WORKING CAPITAL AND REVOLVING FUNDS</b>			
Protective Services Fund.....	28,201	26,102	26,120
Architecture Revolving Fund.....	19,861	20,361	18,985
Health & Welfare Agency Data Cent Rev Fd.....	257,922	242,277	199,210
Mobilehome Manufactured Home Revolv Fd.....	12,499	16,017	15,243
Public Buildings Construction Fund.....	337,138	251,744	273,482
Service Revolving Fund.....	374,851	385,587	395,677
Stephen P Teale Data Center Revolv Fd.....	76,857	84,179	85,643
Consumer Affairs Fund.....	52	25,183	312
OTHERS.....	-468	9,182	4,800
<b>*TOTAL WORKING CAPITAL AND REVOLVING FUNDS.....</b>	<b>\$1,106,913</b>	<b>\$1,060,632</b>	<b>\$1,019,472</b>
<b>BOND FUNDS--OTHER</b>			
School Building Aid Fund, State.....	25,176	16,997	12,408
<b>*TOTAL BOND FUNDS--OTHER.....</b>	<b>\$25,176</b>	<b>\$16,997</b>	<b>\$12,408</b>



Funds	1996-97* Amount	1997-98* Amount	1998-99* Amount
<b>RETIREMENT FUNDS</b>			
Judges Retirement Fund.....	74,800	78,597	86,699
Public Employees' Retirement Fund .....	4,286,710	4,714,828	5,235,164
Teachers Retirement Fund.....	3,060,454	3,388,742	3,792,126
OTHERS .....	6,674	6,851	7,182
*TOTAL RETIREMENT FUNDS .....	\$7,428,638	\$8,189,018	\$9,121,171
<b>OTHER NONGOVERNMENTAL COST FUNDS</b>			
Targeted Case Management Claiming Fund .....	13,333	13,333	13,333
Education Technology Trust Fund.....	33,532	1,468	-
Emerg Serv & Supplemental Payments Fund .....	354,163	298,193	298,202
Lottery Education Fund, Calif State .....	697,738	779,572	896,650
Flexelect Benefit Fund .....	13,082	14,290	14,729
Public Employees' Health Care Fund .....	336,144	348,494	365,151
Medi-Cal Inpatient Pymt Adjustment Fund.....	1,422,205	1,202,023	1,213,858
University Lottery Education Fund, Col S.....	32,781	34,400	29,800
School Employees Fund.....	30,555	30,823	30,819
Inmate Welfare Fund.....	37,926	42,252	43,547
Forest Resources Improvement Fund.....	14,715	14,467	14,433
Triol Court Trust Fund.....	142,101	1,227,715	1,055,669
Special Deposit Fund .....	9,646	14,367	14,478
Guaranteed Loan Reserve Fund, State.....	172,322	50,779	50,779
Local Property Tax Revenues.....	9,922,084	10,327,163	10,747,405
Toll Bridge Funds, Consolidated .....	75,188	275,395	14,623
Various Other Unallocated NGC Funds.....	383	4,067	70,108
Higher Education Fees and Income- UC/CC.....	1,030,597	1,084,067	1,065,926
University Funds--Unclassified.....	4,476,166	4,663,672	4,831,101
Other Unclassified Funds.....	1,002,939	682,690	714,193
OTHERS .....	54,378	48,230	4,181
*TOTAL OTHER NONGOVERNMENTAL COST FUNDS .....	\$19,871,978	\$21,157,460	\$21,488,985
TOTAL.....	\$33,101,775	\$34,807,532	\$36,291,916

**TOTAL STATE SPENDING PLAN—PART C  
REIMBURSEMENTS**

Funds	1996-97* Amount	1997-98* Amount	1998-99* Amount
REIMBURSEMENTS.....	3,976,061	4,666,655	5,128,735

\* Dollars in thousands



## IMPLEMENTATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Implementation of Chapter 1286, Statutes of 1984, requires the State to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the extent that the Department of Finance deems it to be in the best interest of the State.

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs. The purpose of "Governmental GAAP" is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators, and other readers are consistent from year to year, as well as comparable between governmental entities.

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for activities and transactions of state and local governmental entities. The State of California currently is a dues-paying member of the GASB organization and provides input for the various issues being studied by GASB.

An effort is currently underway within the Department of Finance to ensure that the budget and financial statements of the State are more understandable and are presented in a fair and consistent manner through the application of Generally Accepted Accounting Principles.

The Department of Finance has taken the following actions to implement GAAP:

1. A work group was established to review the changes required by GAAP and to establish priorities and task assignments.
2. In 1986-87, the Governor's Budget and Budget Act changed the classification of student fees in the California State University System to revenue rather than reimbursements.
3. In 1986-87, the Governor's Budget and Budget Act changed the classification of State Hospital Medical Care receipts to reimbursements rather than revenue.
4. In 1987-88, the Governor's Budget displayed the interest and redemption costs of general obligation bonds in the relevant program area for each bond.
5. The Office of State Audits and Evaluation (OSAE) of the Department of Finance has done work on rewriting the sections of the State Administrative Manual covering proprietary funds to bring them into conformance with GAAP.
6. The "Fund Manual" for California has been rewritten to bring it into conformance with GAAP.
7. The 1989-90, Governor's Budget provided for the treatment of General Fund encumbrances as a reservation of fund balance rather than expenditures. This treatment is consistent with the GAAP standard that encumbrances are obligations for which goods and services have not been received and which therefore should not be shown as expenditures.

The State's fiscal system is highly complex with many interrelationships between budgeting and accounting. Consequently, some of the changes in accounting that are necessary to conform to GAAP impact the budget system and/or the Governor's Budget presentations. These interrelationships will result in the GAAP changes being accomplished over a number of years.

The following two charts illustrate the effect of conversion to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 reorganized into the GAAP classifications. Schedule 3B uses 1998-99 budget totals to show California's current fund structure compared to recommended GAAP classifications.

### SCHEDULE 3A TOTAL STATE SPENDING PLAN BY GAAP FUND CLASSIFICATION (In Thousands)

GAAP Fund Structure	1996-97	1997-98	1998-99
<i>Governmental Funds</i>			
General Funds .....	49,088,111	53,021,773	55,415,987
Special Revenue Funds .....	33,218,589	37,499,213	38,605,439
Capital Project Funds .....	2,100,840	2,118,796	3,042,901
Total Governmental Funds .....	\$84,407,540	\$92,639,782	\$97,064,327
<i>Proprietary Funds</i>			
Enterprise Funds .....	3,202,145	2,958,370	3,259,247
Internal Service Funds .....	751,968	781,925	727,749
Total Proprietary Funds .....	\$3,954,113	\$3,740,295	\$3,986,996
<i>Fiduciary Funds</i>			
Retirement Funds .....	7,428,176	8,188,619	9,120,841
Trust and Agency Funds--Other .....	8,887,627	8,756,737	8,897,546
Trust and Agency Funds--Federal .....	3,412,982	3,678,082	3,517,557
Total Fiduciary Funds .....	\$19,728,785	\$20,623,438	\$21,535,944
<i>Funds Outside State Treasury</i>			
Other .....	20,919,831	21,480,222	21,914,726
Total Funds Outside State Treasury .....	\$20,919,831	\$21,480,222	\$21,914,726
TOTAL SPENDING, ALL FUNDS .....	\$129,010,269	\$138,483,737	\$144,501,993

**SCHEDULE 3B**  
**COMPARISON OF CALIFORNIA**  
**FUND STRUCTURE AND RECOMMENDED GAAP FUND STRUCTURE**  
**USING 1998-99 BUDGET TOTALS**  
**(In Thousands)**

**FUND STRUCTURE BASED ON GAAP CLASSIFICATIONS**

CURRENT FUND STRUCTURE	Governmental Funds				Proprietary Funds		Fiduciary Funds		Funds Outside State Treasury	Totals
	General Fund	Special Revenue Funds	Capital Project Funds	Total Governmental Funds	Enterprise Funds	Internal Service Funds	Retirement Funds	Trust and Agency Funds		
Governmental Cost Funds										
General Funds .....	\$5,415,987	-	-	\$5,415,987	-	-	-	-	-	\$5,415,987
General Fund Special Accounts.....	-	1,025,663	-	1,025,663	54,909	20,787	-	26,512	-	1,127,871
Transportation Funds.....	-	4,190,283	-	4,190,283	-	-	-	4,023,989	-	8,214,272
Feeder Funds .....	-	-	-	-	-	-	-	33,642	-	33,642
Other Governmental Cost Funds.....	-	5,755,834	9,201	5,765,035	-	-	-	9,302	-	5,774,337
Total Governmental Cost Funds.....	\$55,415,987	\$10,971,780	\$9,201	\$66,396,968	\$54,909	\$20,787	-	\$4,093,445	-	\$70,566,109
Selected Bond Funds .....	-	\$121,678	\$3,010,929	\$3,132,607	-	-	-	\$89,866	\$715	\$3,223,188
Total Governmental Cost Funds and Selected Bond Funds.....	\$55,415,987	\$11,093,458	\$3,020,130	\$69,529,575	\$54,909	\$20,787	-	\$4,183,311	\$715	\$73,789,297
Nongovernmental Cost Funds										
Public Service Enterprise Funds .....	-	-	3,401	3,401	2,876,179	-	-	1,770,300	-	4,649,880
Working Capital and Revolving Funds.....	-	15,243	19,045	34,288	282,940	706,962	-	-4,718	-	1,019,472
Bond Funds—Other .....	-	-	-	-	-	-	-	12,408	-	12,408
Trust and Agency Funds:										
Retirement Funds .....	-	-	-	-	-	-	\$9,120,841	330	-	9,121,171
Trust and Agency Funds—Federal.....	-	26,432,568	-	26,432,568	-	-	-	3,517,557	4,470,655	34,420,780
Trust and Agency Funds—Other.....	-	1,064,170	325	1,064,495	45,219	-	-	2,935,915	-	4,045,629
Other Nongovernmental Cost Funds .....	-	-	-	-	-	-	-	-	17,443,356	17,443,356
Total Nongovernmental Cost Funds.....	-	\$27,511,981	\$22,771	\$27,534,752	\$3,204,338	\$706,962	\$9,120,841	\$8,231,792	\$21,914,011	\$70,712,696
TOTAL SPENDING, ALL FUNDS.....	\$55,415,987	\$38,605,439	\$3,042,901	\$97,064,327	\$3,259,247	\$727,749	\$9,120,841	\$12,415,103	\$21,914,726	\$144,501,993

**SCHEDULE 4A**  
**PERSONNEL YEARS AND SALARY COST ESTIMATES**  
**(Excludes Staff Benefits)**  
**(dollars in thousands)**

	Personnel Years			Dollars		
	1996-97	1997-98	1998-99	1996-97	1997-98	1998-99
Legislative, Judicial, and Executive						
Legislative.....	642.3	696.0	696.0	\$36,224	\$38,910	\$39,982
Judicial.....	1,021.5	1,155.3	1,239.0	72,988	78,315	84,465
Executive/Governor.....	946.9	876.5	889.5	45,303	40,825	43,382
Executive/Constitutional Offices.....	10,524.7	11,670.8	11,968.7	488,349	524,408	545,405
State and Consumer Services.....	12,991.6	13,688.2	14,191.5	514,819	544,569	563,737
Business, Transportation, and Housing						
Business and Housing.....	1,885.6	2,106.9	2,105.3	87,001	93,178	95,438
Transportation.....	34,712.6	36,665.3	37,620.7	1,623,979	1,666,603	1,731,938
Trade and Commerce Agency.....	272.4	300.0	315.6	13,458	14,065	15,073
Resources.....	14,003.1	14,575.9	14,628.5	636,682	633,783	639,941
Calif Environmental Protection Agency.....	3,929.0	4,235.8	4,274.1	195,609	206,593	212,389
Health and Welfare.....	36,788.9	39,065.4	39,281.0	1,552,944	1,587,992	1,607,510
Youth and Adult Correctional Agency.....	44,349.2	49,183.9	48,906.8	2,069,464	2,232,455	2,322,666
Education						
K thru 12 Education.....	2,448.5	2,699.6	2,745.4	104,948	116,447	119,065
Higher Education-Community Colleges.....	169.1	190.2	205.0	8,479	9,650	10,272
Higher Education-UC, CSU and Other.....	93,096.4	89,790.6	89,959.1	4,150,701	4,186,357	4,296,232
General Government						
General Administration.....	14,183.7	14,774.4	14,652.8	594,820	617,005	633,952
NET TOTALS, SALARIES AND WAGES.....	271,965.5	281,674.8	283,679.0	\$12,195,768	\$12,591,155	\$12,961,447
Position Classification						
Civil Service.....	176,694.4	189,325.4	191,048.1	\$7,884,659	\$8,223,498	\$8,477,336
Constitutional.....	131.0	131.0	131.0	11,548	12,066	12,671
Statutory.....	259.4	274.3	273.8	28,656	30,128	30,103
Exempt						
Various Departments.....	2,352.4	2,647.1	2,724.1	142,885	159,699	165,573
Higher Education						
University of California.....	56,271.8	54,329.2	54,534.2	2,511,277	2,515,489	2,625,489
Hastings College of Law.....	226.4	230.2	230.2	13,631	14,068	14,068
California State University.....	36,030.1	34,737.6	34,737.6	1,603,112	1,636,207	1,636,207
NET TOTALS, SALARIES AND WAGES.....	271,965.5	281,674.8	283,679.0	\$12,195,768	\$12,591,155	\$12,961,447



**SCHEDULE 4B**  
**POSITIONS AND SALARY COST ESTIMATES**  
**(Excludes Staff Benefits)**  
**(dollars in thousands)**

	Personnel Years			Dollars		
	1996-97	1997-98	1998-99	1996-97	1997-98	1998-99
Legislative, Judicial, and Executive						
Legislative .....	642.3	707.5	707.5	\$36,224	\$39,492	\$40,564
Judicial .....	1,021.5	1,180.1	1,303.1	72,988	79,969	88,395
Executive/Governor .....	946.9	1,127.7	927.3	45,303	51,456	45,385
Executive/Constitutional Offices .....	10,524.7	12,371.5	12,637.9	488,349	551,275	573,833
State and Consumer Services .....	12,991.6	14,336.4	14,808.1	514,819	569,885	593,397
Business, Transportation, and Housing						
Business and Housing .....	1,885.6	2,258.7	2,229.9	87,001	99,612	100,743
Transportation .....	34,712.6	38,013.8	39,024.3	1,623,979	1,750,870	1,829,548
Trade and Commerce Agency .....	272.4	318.0	332.9	13,458	14,884	15,861
Resources .....	14,003.1	15,390.1	15,449.5	636,682	664,427	674,224
Calif Environmental Protection Agency .....	3,929.0	4,455.0	4,495.7	195,609	217,385	224,032
Health and Welfare .....	36,788.9	41,722.1	42,216.7	1,552,944	1,696,339	1,724,876
Youth and Adult Correctional Agency .....	44,349.2	50,953.5	52,770.9	2,069,464	2,348,762	2,468,206
Education						
K thru 12 Education .....	2,448.5	2,870.0	2,919.8	104,948	123,744	126,503
Higher Education-Community Colleges ...	169.1	200.2	215.7	8,479	10,158	10,813
Higher Education-UC, CSU and Other .....	93,096.4	92,958.8	93,125.5	4,150,701	4,337,840	4,447,654
General Government						
General Administration .....	14,183.7	15,238.4	15,167.0	594,820	637,482	657,751
<b>TOTALS, SALARIES AND WAGES .....</b>	<b>271,965.5</b>	<b>294,101.8</b>	<b>298,331.8</b>	<b>\$12,195,768</b>	<b>\$13,193,580</b>	<b>\$13,621,785</b>
Less Salary Savings .....	-	-12,427.0	-14,652.8	-	-602,425	-660,338
<b>NET TOTALS, SALARIES AND WAGES .....</b>	<b>271,965.5</b>	<b>281,674.8</b>	<b>283,679.0</b>	<b>\$12,195,768</b>	<b>\$12,591,155</b>	<b>\$12,961,447</b>

**SCHEDULE 5A**  
**CASHFLOW STATEMENTS**  
**STATEMENT OF ESTIMATED ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE**  
**GENERAL FUND**  
(Dollars In Thousands)

	Actual 1996-97 Fiscal Year Actuals			Estimated 1997-98 Fiscal Year Actuals			Estimated 1998-99 Fiscal Year Actuals		
	Accounts payable June 30, 1997	Accounts receivable June 30, 1997	Net accruals June 30, 1997	Accounts payable June 30, 1998	Accounts receivable June 30, 1998	Net accruals June 30, 1998	Accounts payable June 30, 1999	Accounts receivable June 30, 1999	Net accruals June 30, 1999
<b>STATE OPERATIONS</b>									
Legislative/Judicial/Executive	\$161,224	\$70,777	\$90,447	\$166,061	\$72,900	\$93,161	\$171,043	\$75,087	\$95,956
State and Consumer Services	29,313	13,155	16,158	30,192	13,550	16,642	31,098	13,957	17,141
Business, Transportation and Housing	2,251	12,176	-9,925	2,319	12,541	-10,222	2,389	12,917	-10,528
Trade and Commerce	12,685	1,951	10,734	13,066	2,010	11,056	13,458	2,070	11,388
Resources	146,906	92,028	54,878	151,313	94,789	56,524	155,852	97,633	58,219
California Environmental Protection	19,359	18,179	1,180	19,940	18,724	1,216	20,538	19,286	1,252
Health and Welfare									
Health Services	55,651	133,481	-77,830	57,321	137,485	-80,164	59,041	141,610	-82,569
Developmental Services	20,816	37,403	-16,587	21,440	38,525	-17,085	22,083	39,681	-17,598
Mental Health	36,304	67,357	-31,053	37,393	69,378	-31,985	38,515	71,459	-32,944
Other Health and Welfare	73,763	55,721	18,042	75,976	57,393	18,583	78,255	59,115	19,140
Education:									
Department of Education	27,758	16,308	11,450	28,591	16,797	11,794	29,449	17,301	12,148
University of California	33,391	-	33,391	34,393	-	34,393	35,425	-	35,425
California State University	177,279	89,856	87,423	182,597	92,552	90,045	188,075	95,329	92,746
Other Education	139,639	61,162	78,477	143,828	62,997	80,831	148,143	64,887	83,256
Youth and Adult Correctional	373,200	169,730	203,470	384,396	174,822	209,574	395,928	180,067	215,861
General Government	89,176	337,090	-247,914	91,851	347,203	-255,352	94,607	357,619	-263,012
<b>Totals, State Operations</b>	<b>\$1,398,715</b>	<b>\$1,176,374</b>	<b>\$222,341</b>	<b>\$1,440,677</b>	<b>\$1,211,666</b>	<b>\$229,011</b>	<b>\$1,483,899</b>	<b>\$1,248,018</b>	<b>\$235,881</b>
<b>LOCAL ASSISTANCE</b>									
Public Schools K-12	\$157,296	\$92,411	\$64,885	\$162,015	\$95,183	\$66,832	\$166,875	\$98,038	\$68,837
California Community Colleges	114,129	12,441	101,688	117,553	12,814	104,739	121,080	13,198	107,882
Other Education	2,013	797	1,216	2,073	821	1,252	2,135	846	1,289
Alcohol and Drug Abuse	11,562	26,530	-14,968	11,909	27,326	-15,417	12,266	28,146	-15,880
Health Services	1,057,369	88,987	968,382	1,089,090	91,657	997,433	1,121,763	94,407	1,027,356
Developmental Services	128,528	215,329	-86,801	132,384	221,789	-89,405	136,356	228,443	-92,087
Mental Health	30,652	139,313	-108,661	31,572	143,492	-111,920	32,519	147,797	-115,278
Social Services	66,054	17,338	48,716	68,036	17,858	50,178	70,077	18,394	51,683
Other Health and Welfare	17,104	15,421	1,683	17,617	15,884	1,733	18,146	16,361	1,785
General Tax Relief	2,840	248	2,592	-	-	-	-	-	-
Other Local Assistance	26,924	23,268	3,656	27,732	23,966	3,766	28,564	24,685	3,879
<b>Totals, Local Assistance</b>	<b>\$1,614,471</b>	<b>\$632,083</b>	<b>\$982,388</b>	<b>\$1,659,981</b>	<b>\$650,790</b>	<b>\$1,009,191</b>	<b>\$1,709,781</b>	<b>\$670,315</b>	<b>\$1,039,466</b>
<b>TOTALS, ALL CHARACTERS</b>	<b>\$3,013,186</b>	<b>\$1,808,457</b>	<b>\$1,204,729</b>	<b>\$3,100,658</b>	<b>\$1,862,456</b>	<b>\$1,238,202</b>	<b>\$3,193,680</b>	<b>\$1,918,333</b>	<b>\$1,275,347</b>

Note: Numbers may not add due to rounding.

**SCHEDULE 5B**  
**CASHFLOW STATEMENTS**  
**ACTUAL 1996-97 FISCAL YEAR CASHFLOW**  
**GENERAL FUND**  
(Dollars in Millions)

1996-97 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
<b>8 BEGINNING CASH BALANCE .....</b>	<b>\$0</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$0</b>
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax .....	\$24	\$23	\$23	\$23	\$25	\$22	\$26	\$17	\$18	\$18	\$27	\$23	\$269
Bank and Corporation Tax .....	235	118	1,116	261	69	771	97	139	772	927	158	1,140	5,803
Cigarette Tax .....	17	4	27	13	2	25	15	10	15	10	17	16	171
Inheritance, Gift and Estate Taxes .....	51	68	174	56	60	73	43	46	58	58	37	41	756
Insurance Tax .....	88	0	131	153	3	275	3	4	17	358	10	242	1,284
Personal Income Tax .....	1,441	1,335	2,408	1,536	1,253	2,320	3,757	1,406	701	4,119	748	2,245	23,269
Retail Sales and Use Tax .....	452	2,025	1,191	650	1,967	1,509	569	2,348	1,205	469	2,355	1,702	16,442
Income from Pooled Money Investments ..	0	32	22	15	19	18	17	17	34	12	22	43	251
Transfer from Special Fund for Economic ..													
Uncertainties .....	0	0	0	0	0	28	0	0	-14	30	0	0	44
Other .....	160	117	89	114	332	73	92	156	77	111	106	117	1,544
<b>TOTAL, Receipts .....</b>	<b>\$2,468</b>	<b>\$3,722</b>	<b>\$5,181</b>	<b>\$2,821</b>	<b>\$3,730</b>	<b>\$5,114</b>	<b>\$4,619</b>	<b>\$4,143</b>	<b>\$2,874</b>	<b>\$6,112</b>	<b>\$3,480</b>	<b>\$5,569</b>	<b>\$49,833</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California .....	\$302	\$139	\$194	\$168	\$206	\$183	\$154	\$216	\$211	\$192	\$52	\$98	\$2,115
Debt Service .....	3	166	441	328	144	33	-67	239	232	209	206	-5	1,929
Other State Operations .....	1,304	846	721	765	619	672	575	583	619	581	641	435	8,373
Social Services .....	785	573	476	556	575	465	584	448	380	492	438	302	6,074
Medi-Cal Assistance .....	373	600	463	698	446	677	567	570	575	566	392	588	6,515
Other Health Services .....	25	39	40	17	17	31	26	2	20	29	-2	34	278
Schools .....	1,123	2,230	1,430	1,550	1,595	1,554	1,881	2,739	2,044	1,833	1,306	1,299	20,584
Teachers' Retirement .....	462	0	0	139	0	0	139	0	0	139	4	0	883
Transfer to Special Fund for Economic ..													
Uncertainties .....	0	0	0	0	0	305	0	0	0	0	0	0	305
Other .....	170	187	104	240	181	355	46	112	309	205	262	339	2,510
<b>TOTAL, Disbursements .....</b>	<b>\$4,547</b>	<b>\$4,780</b>	<b>\$3,869</b>	<b>\$4,461</b>	<b>\$3,795</b>	<b>\$4,275</b>	<b>\$3,905</b>	<b>\$4,909</b>	<b>\$4,390</b>	<b>\$4,246</b>	<b>\$3,299</b>	<b>\$3,090</b>	<b>\$49,566</b>
<b>EXCESS RECEIPTS/(DEFICIT) .....</b>	<b>-\$2,079</b>	<b>-\$1,058</b>	<b>\$1,312</b>	<b>-\$1,640</b>	<b>-\$65</b>	<b>\$839</b>	<b>\$714</b>	<b>-\$766</b>	<b>-\$1,516</b>	<b>\$1,866</b>	<b>\$181</b>	<b>\$2,479</b>	<b>\$267</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties ..	\$0	\$0	\$0	\$0	\$0	\$277	\$0	\$0	\$14	-\$30	\$0	\$0	\$261
Other Internal Sources .....	2,080	-1,942	-1,312	1,640	66	-1,116	-713	766	1,503	-1,836	-181	520	-525
External Sources .....	0	3,000	0	0	0	0	0	0	0	0	0	-3,000	0
<b>TOTAL, Net Temporary Loans .....</b>	<b>\$2,080</b>	<b>\$1,058</b>	<b>-\$1,312</b>	<b>\$1,640</b>	<b>\$65</b>	<b>-\$839</b>	<b>-\$713</b>	<b>\$765</b>	<b>\$1,517</b>	<b>-\$1,866</b>	<b>-\$180</b>	<b>-\$2,480</b>	<b>-\$264</b>
<b>ENDING CASH BALANCE .....</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$0</b>	<b>\$0</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties ..	\$28	\$28	\$28	\$28	\$28	\$305	\$305	\$305	\$305	\$305	\$305	\$305	\$305
Other Internal Sources .....	5,312	5,727	5,722	5,139	5,525	5,417	5,246	5,468	5,570	5,335	5,898	5,937	5,937
External Sources .....	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Available/Borrowable Resources ..</b>	<b>\$5,340</b>	<b>\$8,755</b>	<b>\$8,750</b>	<b>\$8,167</b>	<b>\$8,553</b>	<b>\$8,722</b>	<b>\$8,551</b>	<b>\$8,773</b>	<b>\$8,875</b>	<b>\$8,640</b>	<b>\$9,203</b>	<b>\$6,242</b>	<b>\$6,242</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties ..	\$20	\$20	\$20	\$20	\$20	\$297	\$297	\$297	\$311	\$281	\$281	\$281	\$281
Other Internal Sources .....	3,514	1,572	260	1,901	1,966	851	137	903	2,406	569	389	909	909
External Sources .....	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Cumulative Loan Balances .....</b>	<b>\$3,534</b>	<b>\$4,592</b>	<b>\$3,281</b>	<b>\$4,921</b>	<b>\$4,986</b>	<b>\$4,147</b>	<b>\$3,434</b>	<b>\$4,200</b>	<b>\$5,716</b>	<b>\$3,850</b>	<b>\$3,670</b>	<b>\$1,190</b>	<b>\$1,190</b>
<b>UNUSED BORROWABLE RESOURCES .....</b>	<b>\$1,806</b>	<b>\$4,163</b>	<b>\$5,469</b>	<b>\$3,246</b>	<b>\$3,567</b>	<b>\$4,575</b>	<b>\$5,117</b>	<b>\$4,573</b>	<b>\$3,159</b>	<b>\$4,790</b>	<b>\$5,533</b>	<b>\$5,052</b>	<b>\$5,052</b>

Note: Numbers may not add due to rounding.



**SCHEDULE 5C**  
**CASHFLOW STATEMENTS**  
**ESTIMATED 1997-98 FISCAL YEAR CASHFLOW**  
**GENERAL FUND**  
(Dollars in Millions)

1997-98 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE.....	\$0	\$1	-\$3	-\$3	-\$3	-\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax .....	\$10	\$40	\$24	\$23	\$24	\$23	\$25	\$17	\$19	\$21	\$22	\$23	\$271
Bank and Corporation Tax .....	160	26	1,100	201	8	861	162	136	784	945	151	1,170	5,704
Cigarette Tax .....	12	14	18	15	5	23	13	13	13	14	13	14	165
Inheritance, Gift and Estate Taxes .....	65	49	65	74	43	60	59	59	59	59	59	60	711
Insurance Tax .....	5	3	261	5	4	283	7	5	44	343	7	257	1,224
Personal Income Tax .....	1,632	1,537	2,625	1,595	1,283	2,772	3,912	1,571	829	4,899	873	2,313	25,841
Retail Sales and Use Tax .....	602	2,126	1,386	523	2,017	2,049	679	2,377	1,322	496	2,505	1,709	17,791
Income from Pooled Money Investments ..	12	34	24	11	16	19	27	20	20	25	23	26	257
Transfer from Special Fund for Economic	0	0	0	0	0	0	305	0	0	0	0	0	305
Uncertainties .....	84	128	112	87	189	76	56	93	62	78	84	-15	1,034
Other .....													
<b>TOTAL, Receipts .....</b>	<b>\$2,582</b>	<b>\$3,957</b>	<b>\$5,615</b>	<b>\$2,534</b>	<b>\$3,589</b>	<b>\$6,166</b>	<b>\$5,245</b>	<b>\$4,290</b>	<b>\$3,152</b>	<b>\$6,879</b>	<b>\$3,737</b>	<b>\$5,557</b>	<b>\$53,303</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California .....	\$227	\$129	\$197	\$195	\$221	\$216	\$180	\$215	\$222	\$211	\$56	\$113	\$2,182
Debt Service .....	-4	545	-1	501	0	33	163	226	0	242	123	61	1,889
Other State Operations .....	2,021	947	757	895	713	696	776	611	790	790	656	413	9,914
Social Services .....	490	726	484	450	356	422	598	427	353	504	437	680	5,927
Medi-Cal Assistance .....	410	745	563	702	367	658	613	579	643	552	414	494	6,740
Other Health Services .....	-4	36	25	57	-11	41	32	11	28	27	18	70	330
Schools .....	1,178	2,046	1,941	1,814	1,293	2,423	1,889	3,681	1,856	1,701	1,444	2,248	23,514
Teachers' Retirement .....	488	3	0	149	0	0	151	0	0	150	2	10	953
Transfer to Special Fund for Economic	0	0	0	0	0	0	112	0	0	0	0	0	112
Uncertainties .....	-181	465	463	267	217	280	174	-8	191	239	166	350	2,623
Other .....													
<b>TOTAL, Disbursements .....</b>	<b>\$4,625</b>	<b>\$5,642</b>	<b>\$4,429</b>	<b>\$5,030</b>	<b>\$3,156</b>	<b>\$4,769</b>	<b>\$4,688</b>	<b>\$5,742</b>	<b>\$3,932</b>	<b>\$4,416</b>	<b>\$3,316</b>	<b>\$4,439</b>	<b>\$54,182</b>
<b>EXCESS RECEIPTS/(DEFICIT) .....</b>	<b>-\$2,043</b>	<b>-\$1,685</b>	<b>\$1,186</b>	<b>-\$2,496</b>	<b>\$433</b>	<b>\$1,397</b>	<b>\$557</b>	<b>-\$1,452</b>	<b>-\$780</b>	<b>\$2,463</b>	<b>\$421</b>	<b>\$1,118</b>	<b>-\$879</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties ..	\$0	-\$1	\$0	\$0	\$0	\$0	-\$168	\$0	\$0	\$0	\$0	\$0	-\$169
Other Internal Sources .....	2,044	1,683	-4,186	2,496	-433	-1,394	-389	1,451	780	-2,464	-421	1,882	1,048
External Sources .....	0	0	3,000	0	0	0	0	0	0	0	0	-3,000	0
<b>TOTAL, Net Temporary Loans .....</b>	<b>\$2,044</b>	<b>\$1,682</b>	<b>-\$1,186</b>	<b>\$2,496</b>	<b>-\$433</b>	<b>-\$1,394</b>	<b>-\$557</b>	<b>\$1,451</b>	<b>\$780</b>	<b>-\$2,464</b>	<b>-\$421</b>	<b>-\$1,118</b>	<b>\$879</b>
<b>ENDING CASH BALANCE .....</b>	<b>\$1</b>	<b>-\$3</b>	<b>-\$3</b>	<b>-\$3</b>	<b>-\$3</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties ..	\$305	\$305	\$305	\$305	\$305	\$305	\$112	\$112	\$112	\$112	\$112	\$112	\$112
Other Internal Sources .....	5,866	6,407	6,408	6,098	6,212	5,922	5,598	5,857	5,869	5,559	6,176	6,014	6,014
External Sources .....	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Available/Borrowable Resources ..</b>	<b>\$6,171</b>	<b>\$6,712</b>	<b>\$9,713</b>	<b>\$9,403</b>	<b>\$9,517</b>	<b>\$9,227</b>	<b>\$8,710</b>	<b>\$8,969</b>	<b>\$8,981</b>	<b>\$8,671</b>	<b>\$9,288</b>	<b>\$6,126</b>	<b>\$6,126</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties ..	\$281	\$280	\$280	\$280	\$280	\$280	\$112	\$112	\$112	\$112	\$112	\$112	\$112
Other Internal Sources .....	2,953	4,636	450	2,945	2,512	1,118	729	2,180	2,960	497	76	1,958	1,958
External Sources .....	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Cumulative Loan Balances .....</b>	<b>\$3,234</b>	<b>\$4,916</b>	<b>\$3,730</b>	<b>\$6,225</b>	<b>\$5,792</b>	<b>\$4,398</b>	<b>\$3,841</b>	<b>\$5,292</b>	<b>\$6,072</b>	<b>\$3,609</b>	<b>\$3,188</b>	<b>\$2,070</b>	<b>\$2,070</b>
<b>UNUSED BORROWABLE RESOURCES .....</b>	<b>\$2,937</b>	<b>\$1,796</b>	<b>\$5,983</b>	<b>\$3,178</b>	<b>\$3,725</b>	<b>\$4,829</b>	<b>\$4,869</b>	<b>\$3,677</b>	<b>\$2,909</b>	<b>\$5,062</b>	<b>\$6,100</b>	<b>\$4,056</b>	<b>\$4,056</b>

Note: Numbers may not add due to rounding.

**SCHEDULE 5D**  
**CASHFLOW STATEMENTS**  
**ESTIMATED 1998-99 FISCAL YEAR CASHFLOW**  
**GENERAL FUND**  
(Dollars in Millions)

1998-99 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
<b>BEGINNING CASH BALANCE</b> .....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax .....	\$25	\$22	\$24	\$24	\$23	\$24	\$25	\$17	\$19	\$21	\$22	\$22	\$268
Bank and Corporation Tax .....	201	104	1,148	238	88	814	159	134	906	997	1,239	1,239	6,187
Cigarette Tax .....	14	14	14	14	14	14	13	12	13	13	13	14	162
Inheritance, Gift and Estate Taxes .....	61	61	61	61	61	61	61	61	61	61	61	64	735
Insurance Tax .....	4	5	291	7	4	289	6	4	44	349	271	7	1,281
Personal Income Tax .....	1,732	1,642	2,954	1,747	1,360	2,415	4,449	1,679	897	5,002	946	2,711	27,534
Retail Sales and Use Tax .....	608	2,233	1,286	370	2,643	1,568	711	2,490	1,379	515	2,618	1,814	18,235
Income from Pooled Money Investments ..	12	37	29	13	22	21	21	22	21	16	26	25	265
Transfer from Special Fund for Economic													
Uncertainties .....	0	0	0	0	0	0	112	0	0	0	0	0	112
Other .....	41	53	38	41	174	36	35	72	39	56	66	46	697
<b>TOTAL, Receipts</b> .....	<b>\$2,698</b>	<b>\$4,171</b>	<b>\$5,845</b>	<b>\$2,515</b>	<b>\$4,389</b>	<b>\$5,242</b>	<b>\$5,592</b>	<b>\$4,491</b>	<b>\$3,379</b>	<b>\$7,030</b>	<b>\$3,918</b>	<b>\$6,206</b>	<b>\$55,476</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California .....	\$299	\$179	\$191	\$220	\$214	\$233	\$194	\$232	\$240	\$228	\$60	\$65	\$2,355
Debt Service .....	167	0	400	538	0	27	0	175	306	230	118	51	2,012
Other State Operations .....	1,424	991	849	1,055	754	757	542	680	694	845	713	680	9,984
Social Services .....	872	734	672	479	490	415	497	409	356	427	395	310	6,056
Medi-Cal Assistance .....	341	649	572	622	483	660	615	581	645	566	428	613	6,775
Other Health Services .....	31	31	43	25	11	37	39	10	25	37	16	26	331
Schools .....	1,248	2,436	2,301	1,767	2,133	1,651	2,908	3,133	1,957	1,730	1,520	1,674	24,458
Teachers' Retirement .....	246	0	0	162	0	0	162	0	0	162	0	0	732
Transfer to Special Fund for Economic													
Uncertainties .....	0	0	0	0	0	0	296	0	0	0	0	0	296
Other .....	621	244	244	478	273	199	258	-8	190	254	184	97	3,034
<b>TOTAL, Disbursements</b> .....	<b>\$5,249</b>	<b>\$5,264</b>	<b>\$5,272</b>	<b>\$5,346</b>	<b>\$4,358</b>	<b>\$3,979</b>	<b>\$5,511</b>	<b>\$5,212</b>	<b>\$4,413</b>	<b>\$4,479</b>	<b>\$3,434</b>	<b>\$3,516</b>	<b>\$56,034</b>
<b>EXCESS RECEIPTS/(DEFICIT)</b> .....	<b>-\$2,551</b>	<b>-\$1,093</b>	<b>\$573</b>	<b>-\$2,831</b>	<b>\$31</b>	<b>\$1,263</b>	<b>\$81</b>	<b>-\$721</b>	<b>-\$1,034</b>	<b>\$2,551</b>	<b>\$484</b>	<b>\$2,690</b>	<b>-\$558</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties ..	\$0	\$0	\$0	\$0	\$0	\$0	\$184	\$0	\$0	\$0	\$0	\$0	\$184
Other Internal Sources .....	-449	1,093	-574	2,830	-31	-1,263	-265	721	1,034	-2,551	-483	310	373
External Sources .....	3,000	0	0	0	0	0	0	0	0	0	0	-3,000	0
<b>TOTAL, Net Temporary Loans</b> .....	<b>\$2,551</b>	<b>\$1,093</b>	<b>-\$574</b>	<b>\$2,830</b>	<b>-\$31</b>	<b>-\$1,263</b>	<b>-\$81</b>	<b>\$721</b>	<b>\$1,034</b>	<b>-\$2,551</b>	<b>-\$483</b>	<b>-\$2,690</b>	<b>\$557</b>
<b>ENDING CASH BALANCE</b> .....	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties ..	\$112	\$112	\$112	\$112	\$112	\$112	\$296	\$296	\$296	\$296	\$296	\$296	\$296
Other Internal Sources .....	5,590	6,126	5,986	5,622	5,907	5,821	5,598	5,878	5,928	5,649	6,288	6,085	6,085
External Sources .....	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Available/Borrowable Resources</b> .....	<b>\$8,702</b>	<b>\$9,238</b>	<b>\$9,098</b>	<b>\$8,734</b>	<b>\$9,019</b>	<b>\$8,933</b>	<b>\$8,894</b>	<b>\$9,174</b>	<b>\$9,224</b>	<b>\$8,945</b>	<b>\$9,584</b>	<b>\$6,381</b>	<b>\$6,381</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties ..	\$112	\$112	\$112	\$112	\$112	\$112	\$296	\$296	\$296	\$296	\$296	\$296	\$296
Other Internal Sources .....	1,509	2,602	2,028	4,859	4,827	3,564	3,300	4,021	5,055	2,504	2,021	2,331	2,331
External Sources .....	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>TOTAL, Cumulative Loan Balances</b> .....	<b>\$4,621</b>	<b>\$5,714</b>	<b>\$5,140</b>	<b>\$7,971</b>	<b>\$7,939</b>	<b>\$6,676</b>	<b>\$6,596</b>	<b>\$7,317</b>	<b>\$8,351</b>	<b>\$5,800</b>	<b>\$5,317</b>	<b>\$2,627</b>	<b>\$2,627</b>
<b>UNUSED BORROWABLE RESOURCES</b> .....	<b>\$4,081</b>	<b>\$3,524</b>	<b>\$3,958</b>	<b>\$763</b>	<b>\$1,080</b>	<b>\$2,257</b>	<b>\$2,298</b>	<b>\$1,857</b>	<b>\$873</b>	<b>\$3,145</b>	<b>\$4,267</b>	<b>\$3,754</b>	<b>\$3,754</b>

Note: Numbers may not add due to rounding

**SCHEDULE 6**  
**SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES**

Year	Population <sup>1</sup> (Thousands)	Employees	Employees Per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capita		Expenditures per \$100 of Personal Income	
					General Fund	Total	General Fund <sup>2</sup>	Total <sup>3</sup>	General Fund <sup>2</sup>	Total <sup>3</sup>	General Fund <sup>2</sup>	Total <sup>3</sup>
					(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
1950-51 .....	10,643	61,000	5.7	\$19.8	\$672	\$994	\$587	\$1,006	\$55.15	\$94.52	\$2.96	\$5.08
1951-52 .....	11,130	63,860	5.7	22.8	734	1,086	635	1,068	57.05	95.96	2.79	4.68
1952-53 .....	11,638	65,720	5.6	25.4	774	1,151	714	1,177	61.35	101.13	2.81	4.63
1953-54 .....	12,101	69,928	5.8	27.2	798	1,271	809	1,381	66.85	114.12	2.97	5.08
1954-55 .....	12,517	74,099	5.9	28.1	879	1,434	852	1,422	68.07	113.61	3.03	5.06
1955-56 .....	13,004	77,676	6.0	30.9	1,005	1,578	923	1,533	70.98	117.89	2.99	4.96
1956-57 .....	13,581	88,299	6.5	33.8	1,079	1,834	1,030	1,732	75.84	127.53	3.05	5.12
1957-58 .....	14,177	98,015	6.9	36.4	1,111	1,751	1,147	1,891	80.91	133.39	3.15	5.20
1958-59 .....	14,741	101,982	6.9	38.1	1,210	1,925	1,246	1,932	84.53	131.06	3.27	5.07
1959-60 .....	15,288	108,423	7.1	41.8	1,491	2,198	1,435	2,086	93.86	136.45	3.43	4.99
1960-61 .....	15,863	115,737	7.3	44.7	1,598	2,338	1,678	2,525	105.78	159.18	3.75	5.65
1961-62 .....	16,412	122,339	7.5	47.4	1,728	2,451	1,697	2,406	103.40	146.60	3.58	5.08
1962-63 .....	16,951	128,981	7.6	51.1	1,866	2,668	1,881	2,703	110.97	159.46	3.68	5.29
1963-64 .....	17,530	134,721	7.7	54.6	2,137	3,057	2,064	3,182	117.74	181.52	3.78	5.83
1964-65 .....	18,026	143,896	8.0	59.2	2,245	3,295	2,345	3,652	130.09	202.60	3.96	6.17
1965-66 .....	18,464	151,199	8.2	63.4	2,509	3,581	2,580	4,059	139.73	219.83	4.07	6.40
1966-67 .....	18,831	158,404	8.4	68.9	2,895	4,073	3,017	4,659	160.21	247.41	4.38	6.76
1967-68 .....	19,175	162,677	8.5	74.4	3,682	4,927	3,273	5,014	170.69	261.49	4.40	6.74
1968-69 .....	19,432	171,655	8.8	81.5	4,136	5,450	3,909	5,673	201.16	291.94	4.80	6.96
1969-70 .....	19,745	179,583	9.1	89.2	4,330	5,743	4,456	6,302	225.68	319.17	5.00	7.07
1970-71 .....	20,039	181,581	9.1	95.7	4,534	5,919	4,854	6,556	242.23	327.16	5.07	6.85
1971-72 .....	20,346	181,912	8.9	101.7	5,395	6,897	5,027	6,684	247.08	328.52	4.94	6.57
1972-73 .....	20,585	188,460	9.2	111.2	5,780	7,366	5,616	7,422	272.82	360.55	5.05	6.67
1973-74 .....	20,869	192,918	9.2	122.8	6,978	8,715	7,299	9,311	349.75	446.16	5.94	7.58
1974-75 .....	21,174	203,548	9.6	137.2	8,630	10,405	8,349	10,276	394.30	485.31	6.09	7.49
1975-76 .....	21,538	206,361	9.6	150.7	9,639	11,567	9,518	11,452	441.92	531.71	6.32	7.60
1976-77 .....	21,936	213,795	9.7	169.2	11,381	13,463	10,467	12,632	477.16	575.86	6.19	7.47
1977-78 .....	22,352	221,251	9.9	188.4	13,695	15,962	11,686	14,003	522.82	626.48	6.20	7.43
1978-79 .....	22,836	218,530	9.6	216.0	15,219	17,711	16,251	18,745	711.64	820.85	7.52	8.68
1979-80 .....	23,257	220,193	9.5	247.6	17,985	20,919	18,534	21,488	796.92	923.94	7.49	8.68
1980-81 .....	23,782	225,567	9.5	281.6	19,023	22,104	21,105	24,511	887.44	1,030.65	7.49	8.70
1981-82 .....	24,278	228,813	9.4	315.4	20,960	23,601	21,693	25,022	893.53	1,030.65	6.88	7.93
1982-83 .....	24,805	228,489	9.2	336.5	21,233	24,291	21,751	25,330	876.88	1,021.17	6.46	7.53
1983-84 .....	25,337	226,695	8.9	362.3	23,809	27,626	22,869	26,797	902.59	1,057.62	6.31	7.40
1984-85 .....	25,816	229,845	8.9	403.5	26,536	31,570	25,722	30,961	996.36	1,199.30	6.37	7.67
1985-86 .....	26,403	229,641	8.7	438.0	28,072	33,558	28,841	34,977	1,092.34	1,324.74	6.58	7.99
1986-87 .....	27,052	232,927	8.6	469.9	32,519	37,767	31,469	38,079	1,163.28	1,407.62	6.70	8.10
1987-88 .....	27,717	237,761	8.6	506.2	32,534	38,773	33,021	40,452	1,191.36	1,459.47	6.52	7.99
1988-89 .....	28,393	248,173	8.7	549.0	36,953	43,322	35,897	44,634	1,264.29	1,572.01	6.54	8.13
1989-90 .....	29,142	254,589	8.7	591.5	38,750	46,453	39,456	48,594	1,353.92	1,667.49	6.67	8.22
1990-91 .....	29,944	260,622	8.7	640.3	38,214	47,024	40,264	51,446	1,344.64	1,718.07	6.29	8.03
1991-92 .....	30,565	261,713	8.6	655.1	42,026	53,117	43,327	56,280	1,417.54	1,841.32	6.61	8.59
1992-93 .....	31,188	260,939	8.4	687.2	40,946	52,526	40,948	56,480	1,312.94	1,810.95	5.96	8.22
1993-94 .....	31,517	265,035	8.4	702.4	40,095	52,384	38,958	53,083	1,236.09	1,684.27	5.55	7.56
1994-95 .....	31,790	269,004	8.5	722.0	42,710	54,942	41,961	54,613	1,319.94	1,717.93	5.81	7.56
1995-96 .....	32,063	271,076	8.5	764.4	46,296	59,266	45,393	59,870	1,415.74	1,867.26	5.94	7.83
1996-97 .....	32,383	271,966	8.4	808.0	49,220	62,831	49,088	64,523	1,515.86	1,992.50	6.08	7.99
1997-98 .....	32,957	281,675	8.5	866.0	52,890	67,048	53,022	69,936	1,608.82	2,122.04	6.12	8.08
1998-99 .....	33,523	283,679	8.5	920.6	55,383	70,104	55,416	73,789	1,653.07	2,201.15	6.02	8.02

<sup>1</sup> Population as of July 1, the beginning of the fiscal year.

<sup>2</sup> Includes Special Accounts in General Fund from 1973-74 to 1976-77.

<sup>3</sup> Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963-64.



Schedule 7  
GENERAL FUND  
(In Thousands)  
STATEMENT OF FUND BALANCE  
June 30, 1997

The following summarizes adjustments which have been incorporated by the Department of Finance to arrive at the June 30, 1997, fund balance shown for the General Fund on the General Budget Summary, Schedule 1.

FUND BALANCE PER STATE CONTROLLER .....	\$639,843
Revenue Adjustments:	
Department of Mental Health.....	1,676
Expenditure Adjustments:	
Northridge Earthquake—shift to 97-98.....	45,490
Department of Developmental Services—overaccrued expenditures.....	2,133
Community Colleges—overaccrued expenditures.....	8,778
Federal Immigration Funding—additional accrual.....	183,640
State Mandates—difference in treatment.....	25,269
Proposition 98 expenditures:	
Community Colleges .....	-19,802
Department of Education .....	25,480
Department of Social Services—overaccrued expenditures (carryover)...	8,165
Transfer Adjustments:	
Difference in treatment of loans.....	-14,671
Total Adjustments.....	<u>\$266,158</u>
FUND BALANCE PER GENERAL BUDGET SUMMARY, SCHEDULE 1.....	\$906,001

**SCHEDULE 8**  
**COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
(Dollars in Thousands)

Sources	Actual 1996-97			Estimated 1997-98			Estimated 1998-99		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
<b>MAJOR TAXES AND LICENSES</b>									
Alcoholic Beverage Taxes and Fees.....	271,065	-	271,065	269,500	-	269,500	267,600	-	267,600
Bank and Corporation (Income) Taxes.....	5,786,986	1,788	5,788,774	5,835,000	301	5,835,301	6,175,000	-	6,175,000
Cigarette Tax.....	168,766	496,657	665,423	165,000	485,800	650,800	162,000	478,500	640,500
Horse Racing (Parimutuel) License Fees.....	53,920	38,446	92,366	44,238	36,756	80,994	42,296	36,395	78,691
Estate, Inheritance and Gift Tax.....	599,254	-	599,254	731,000	-	731,000	762,000	-	762,000
Insurance Gross Premiums Tax.....	1,199,553	-	1,199,553	1,224,000	-	1,224,000	1,281,000	-	1,281,000
Trolley Coach License (In-Lieu) Fees.....	35,801	-	35,801	35,900	-	35,900	36,300	-	36,300
Motor Vehicle License (In-Lieu) Fees.....	-	3,536,009	3,536,009	-	3,709,016	3,709,016	-	3,894,718	3,894,718
Motor Vehicle Fuel Tax (Gasoline).....	-	2,436,235	2,436,235	-	2,507,914	2,507,914	-	2,570,228	2,570,228
Motor Vehicle Fuel Tax (Diesel).....	-	370,041	370,041	-	399,454	399,454	-	423,894	423,894
Motor Vehicle Registration.....	-	1,652,899	1,652,899	-	1,691,840	1,691,840	-	1,727,173	1,727,173
Personal Income Tax.....	23,273,258	-	23,273,258	25,980,000	-	25,980,000	27,640,000	-	27,640,000
Retail Sales and Use Tax-Realignment.....	-	1,690,477	1,690,477	-	1,784,100	1,784,100	-	1,864,600	1,864,600
Retail Sales and Use Taxes.....	16,566,295	178,009	16,744,304	17,545,000	190,501	17,735,501	18,290,000	201,103	18,491,103
<b>TOTALS, MAJOR TAXES AND LICENSES.....</b>	<b>\$47,954,898</b>	<b>\$10,400,561</b>	<b>\$58,355,459</b>	<b>\$51,829,638</b>	<b>\$10,805,682</b>	<b>\$62,635,320</b>	<b>\$54,656,196</b>	<b>\$11,196,611</b>	<b>\$65,852,807</b>
<b>MINOR REVENUES</b>									
<b>REGULATORY TAXES AND LICENSES</b>									
General Fish and Game Taxes.....	-	\$2,396	\$2,396	-	\$2,593	\$2,593	-	\$2,460	\$2,460
Energy Resource Surcharge.....	-	42,974	42,974	-	146,184	146,184	-	198,008	198,008
Quarterly Public Util. Commission Fees.....	-	66,493	66,493	-	58,527	58,527	-	58,327	58,327
Hwy Carrier Uniform Business License Tax.....	3,552	-	3,552	250	-	250	250	-	250
Off-Highway Vehicle Fees.....	-	3,500	3,500	-	3,400	3,400	-	3,429	3,429
Liquor License Fees.....	-	32,459	32,459	-	34,345	34,345	-	38,745	38,745
Genetic Disease Testing Fees.....	-	52,786	52,786	-	54,206	54,206	-	53,479	53,479
Other Regulatory Taxes.....	10,018	53,494	63,512	10,816	42,161	52,977	10,877	42,972	53,849
New Motor Vehicle Dealer License Fee.....	-	1,450	1,450	-	1,485	1,485	-	1,493	1,493
General Fish and Game Lic. Tags Permits.....	-	67,490	67,490	-	72,316	72,316	-	73,971	73,971
Elevator and Boiler Inspection Fees.....	308	9,842	10,150	165	9,788	9,953	165	9,788	9,953
Industrial Homework Fees.....	7	-	7	7	-	7	7	-	7
Employment Agency License Fees.....	560	373	933	500	760	1,260	500	914	1,414
Employment Agency Filing Fees.....	14	-	14	17	-	17	17	-	17
Teacher Credential Fees.....	-	11,690	11,690	-	12,419	12,419	-	12,879	12,879
Teacher Examination Fees.....	-	7,757	7,757	-	6,417	6,417	-	6,217	6,217
Insurance Co License Fees & Penalties.....	-	19,159	19,159	-	20,125	20,125	-	20,125	20,125
Insurance Company Examination Fees.....	-	18,905	18,905	-	17,988	17,988	-	19,400	19,400
Division of Real Estate Examination Fees.....	-	2,821	2,821	-	2,432	2,432	-	2,206	2,206
Div of Real Estate License Fees.....	-	19,691	19,691	-	20,927	20,927	-	17,618	17,618
Subdivision Filing Fees.....	-	5,605	5,605	-	6,021	6,021	-	6,480	6,480
Building Construction Filing Fees.....	-	2,289	2,289	-	2,010	2,010	-	1,872	1,872
Savings & Loan Fees.....	-	2	2	-	-	-	-	50	50
Domestic Corporation Fees.....	-	5,349	5,349	-	5,794	5,794	-	5,794	5,794
Foreign Corporation Fees.....	-	885	885	-	935	935	-	935	935
Notary Public License Fees.....	-	825	825	-	840	840	-	840	840
Filing Financing Statements.....	-	7,825	7,825	-	7,594	7,594	-	7,594	7,594
Candidate Filing Fee.....	1	-	1	663	-	663	75	-	75
Beverage Container Redemption Fees.....	-	342,890	342,890	-	345,510	345,510	-	343,563	343,563
Explosive Permit Fees.....	2	-	2	2	-	2	2	-	2
Processing Fees.....	-	15,830	15,830	-	14,549	14,549	-	29,987	29,987
Hazardous Waste Control Fees.....	-	47,379	47,379	-	37,882	37,882	-	47,551	47,551
Other Regulatory Fees.....	74,487	381,727	456,214	72,310	418,931	491,241	9,296	480,549	489,845
Other Regulatory Licenses and Permits.....	33,605	232,802	266,407	30,193	251,176	281,369	33,405	250,094	283,499
Renewal Fees.....	-	124,205	124,205	-	119,979	119,979	-	118,007	118,007
Delinquent Fees.....	1	2,609	2,610	1	2,502	2,503	1	2,407	2,408

**SCHEDULE 8—Continued**  
**COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
(Dollars in Thousands)

Sources	Actual 1996-97			Estimated 1997-98			Estimated 1998-99		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Private Roll Car Tax .....	6,130	—	6,130	6,180	—	6,180	6,180	—	6,180
Insurance Department Fees, Prop 103 .....	—	26,062	26,062	—	22,905	22,905	—	22,905	22,905
Insurance Department Fees, General .....	—	10,327	10,327	—	11,739	11,739	—	12,191	12,191
Insurance Fraud Assessment, Workers Comp .....	—	25,000	25,000	—	28,500	28,500	—	28,500	28,500
Insurance Fraud Assessment, Auto .....	—	14,076	14,076	—	17,896	17,896	—	17,586	17,586
Insurance Fraud Assessment, General .....	—	1,360	1,360	—	1,387	1,387	—	1,387	1,387
<b>TOTALS, REGULATORY TAXES AND LICENSES .....</b>	<b>\$128,685</b>	<b>\$1,660,327</b>	<b>\$1,789,012</b>	<b>\$121,104</b>	<b>\$1,802,223</b>	<b>\$1,923,327</b>	<b>\$60,775</b>	<b>\$1,940,323</b>	<b>\$2,001,098</b>
<b>REVENUE FROM LOCAL AGENCIES</b>									
Trial Court Revenues .....	316,329	—	316,329	157,500	—	157,500	—	—	—
Architecture Public Building Fees .....	—	29,651	29,651	—	29,693	29,693	—	29,078	29,078
Penalties on Traffic Violations .....	—	86,986	86,986	—	88,408	88,408	—	88,408	88,408
Penalties on Felony Convictions .....	—	33,460	33,460	—	34,000	34,000	—	35,000	35,000
Fines-Crimes of Public Offense .....	—	6,729	6,729	—	9,000	9,000	—	10,000	10,000
Fish and Game Violation Fines .....	—	421	421	—	18,778	18,778	—	24,778	24,778
Penalty Assessments on Fish & Game Fines .....	—	507	507	—	653	653	—	653	653
Interest on Loans to Local Agencies .....	49	1,056	1,105	50	1,060	1,110	—	1,000	1,050
Add'l Assmnts on Fish & Game Fines .....	—	42	42	—	60	60	—	60	60
Narcotic Fines .....	2,167	—	2,167	2,100	—	2,100	2,100	—	2,100
Fingerprint ID Card Fees .....	—	29,206	29,206	—	39,199	39,199	—	39,886	39,886
Misc Revenue From Local Agencies .....	542	4,313	4,855	519	5,300	5,819	519	6,000	6,519
Open Space Cancellation Fee Deferrd Taxes .....	3,676	1,000	4,676	2,250	1,157	3,407	2,250	995	3,245
Rev Local Govt Agencies-Cost Recoveries .....	2,973	—	2,973	2,863	—	2,863	2,863	—	2,863
<b>TOTALS, REVENUE FROM LOCAL AGENCIES .....</b>	<b>\$325,736</b>	<b>\$193,371</b>	<b>\$519,107</b>	<b>\$165,282</b>	<b>\$227,308</b>	<b>\$392,590</b>	<b>\$7,782</b>	<b>\$235,858</b>	<b>\$243,640</b>
<b>SERVICES TO THE PUBLIC</b>									
Poy Patients Board Charges .....	23,110	—	23,110	18,447	—	18,447	17,166	—	17,166
Stofe Beoch and Pork Service Fees .....	—	54,108	54,108	—	53,165	53,165	—	55,015	55,015
Porking Lot Revenues .....	—	5,704	5,704	—	7,177	7,177	—	7,182	7,182
Fire Prevention and Suppression .....	—	—	—	100	—	100	100	—	100
Emergency Telephone Users Surcharge .....	—	81,595	81,595	—	83,200	83,200	—	83,200	83,200
Soles of Documents .....	448	2,270	2,718	432	2,265	2,697	432	2,267	2,697
General Fees--Secretary of State .....	64	11,589	11,653	31	11,733	11,764	61	11,733	11,794
Porental Fees .....	—	1,809	1,809	—	2,100	2,100	—	2,250	2,250
Guordianship Fees .....	11	—	11	15	—	15	15	—	15
Miscellaneous Services to the Public .....	4,530	72,362	76,892	3,913	87,680	91,593	3,928	88,390	92,318
Receipts From Health Care Deposit Fund .....	8,000	—	8,000	8,000	—	8,000	8,000	—	8,000
Medicare Receipts Frm Federal Government .....	7,132	—	7,132	7,400	—	7,400	6,900	—	6,900
Californio Stofe University Fees .....	—	627,095	627,095	—	619,275	619,275	—	614,275	614,275
Personalized License Plates .....	—	31,274	31,274	—	30,438	30,438	—	29,635	29,635
<b>TOTALS, SERVICES TO THE PUBLIC .....</b>	<b>\$43,295</b>	<b>\$887,806</b>	<b>\$931,101</b>	<b>\$38,338</b>	<b>\$897,033</b>	<b>\$935,371</b>	<b>\$36,602</b>	<b>\$893,947</b>	<b>\$930,549</b>
<b>USE OF PROPERTY AND MONEY</b>									
Income From Pooled Money Investments .....	250,659	1,017	251,676	262,000	987	262,987	293,000	887	293,887
Income From Surplus Money Investments .....	17,207	154,635	171,842	17,000	141,038	158,038	17,000	155,920	172,920
Interest Income From Loans .....	4,277	2,296	6,573	3,200	2,382	5,582	3,350	5,892	5,892
Interest Income From Interfund Loans .....	—	—	—	60	—	60	60	—	60
Income From Other Investments .....	1,319	641	1,960	7	743	750	7	673	680
Income From Condemnation Deposits Fund .....	16	2,437	2,453	16	2,278	2,294	16	2,288	2,304
Federal Londs Royalties .....	—	20,274	20,274	—	18,905	18,905	—	18,905	18,905
Oil & Gas Lease-1%Revenue City/County .....	226	—	226	190	—	190	180	—	180



**SCHEDULE 8—Continued**  
**COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
(Dollars in Thousands)

Sources	Actual 1996-97			Estimated 1997-98			Estimated 1998-99		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Rentals of State Property .....	7,631	28,760	36,391	6,371	32,639	39,010	6,492	31,865	38,357
Misc Revenue Firm Use of Property & Money .....	15,869	18,183	34,052	20,000	20,170	40,170	21,000	19,618	40,618
School Lands Royalties .....	-	17	17	-	16	16	-	16	16
Store Lands Royalties .....	90,402	-	90,402	31,623	30,347	61,970	9,614	55,381	64,995
<b>TOTALS, USE OF PROPERTY AND MONEY .....</b>	<b>\$387,606</b>	<b>\$228,260</b>	<b>\$615,866</b>	<b>\$340,467</b>	<b>\$249,505</b>	<b>\$589,972</b>	<b>\$350,719</b>	<b>\$288,095</b>	<b>\$638,814</b>
<b>MISCELLANEOUS</b>									
Attorney General Proceeds of Anti-Trust .....	-	48,039	48,039	-	47,378	47,378	-	3,600	3,600
Penalties & Interest on UI & DI Contrib .....	-	34	51,215	34,908	29	34,937	53,971	47,017	47,017
Sole of Fixed Assets .....	51,181	22	4,674	1,587	22	1,609	1,587	22	29
Sole of Confiscated Property .....	95	61	156	100	570	670	100	270	1,609
Sole of State's Public Lands .....	-49	-	-49	20	-	20	20	-	370
Proceeds From Estates of Deceased Person .....	190,464	-	190,464	155,000	-	155,000	155,000	-	155,000
Revenue-Abandoned Property .....	4,215	363	4,578	3,216	290	3,506	3,216	288	3,504
Escheat of Unclaimed Checks & Warrants .....	-	2,444	2,444	-	3,300	3,300	-	3,300	3,300
Subsequent Injuries Revenue .....	36,790	58,822	95,612	35,089	91,571	126,660	34,516	93,169	127,685
Miscellaneous Revenue .....	-	16,737	16,737	-	17,568	17,568	-	17,760	17,760
Penalties & Intst on Personal Income Tx .....	-	26,134	26,134	-	22,436	22,436	-	14,128	14,128
Other Revenue - Cost Recoveries .....	-	7,160	7,160	-	7,160	7,160	-	7,160	7,160
Traffic Violations .....	3,198	120	3,318	3,402	75	3,477	3,602	75	3,677
Parking Violations .....	17,579	46,436	64,015	11,820	49,489	61,309	11,820	49,189	61,009
Penalty Assessments .....	297	3,228	3,525	238	2,714	2,952	238	2,714	2,952
Civil & Criminal Violation Assessment .....	-	-	-	-	-	-	-	-	-
<b>TOTALS, MISCELLANEOUS .....</b>	<b>\$308,444</b>	<b>\$209,600</b>	<b>\$518,044</b>	<b>\$245,380</b>	<b>\$242,602</b>	<b>\$487,982</b>	<b>\$264,070</b>	<b>\$238,721</b>	<b>\$502,791</b>
<b>TOTALS, MINOR REVENUES .....</b>	<b>\$1,193,766</b>	<b>\$3,179,364</b>	<b>\$4,373,130</b>	<b>\$910,571</b>	<b>\$3,418,671</b>	<b>\$4,329,242</b>	<b>\$719,948</b>	<b>\$3,596,944</b>	<b>\$4,316,892</b>
<b>TOTALS, REVENUES .....</b>	<b>\$49,148,664</b>	<b>\$13,579,925</b>	<b>\$62,728,589</b>	<b>\$52,740,209</b>	<b>\$14,224,353</b>	<b>\$66,964,562</b>	<b>\$55,376,144</b>	<b>\$14,793,555</b>	<b>\$70,169,699</b>
<b>TRANSFERS AND LOANS</b>									
General Fund .....	-40,700	14,127	-26,573	-7,179	5,879	-1,300	-87,698	27,683	-60,015
Motor Vehicle Insurance Account, State .....	-	-2,200	-2,200	-	-	-	-	-	-
Special Account for Capital Outlay .....	1,118	-1,118	-	-	-	-	-	-	-
Highway Account, State, SIF .....	-	-	-	-	-	-	-	-	-
Public Transportation Account, SIF .....	-	-17,485	-17,485	-	-	-	-	-101,521	-101,521
Alcohol Beverage Control Fund .....	5,250	-5,250	-	4,900	-4,900	-	4,900	-10,000	-10,000
Rodon Contractor Certification Fund .....	-	-	-	50	-50	-	-	-4,900	-
Oil Refinery & Chem Plant Safety Fd, Col .....	33	-33	-	-	-	-	-	-	-
Auctioneer Commission Fund .....	28	-28	-	-	-	-	32	-32	-
Workers' Compensation Managed Core Fund .....	-	-	-	307	-307	-	-	-	-
Environmental License Plate Fund, Calif .....	-	-	-	4,379	-4,379	-	-	-	-
Water Fund, California .....	1,788	-1,788	-	13,200	-13,200	-	-	-	-
Utility Fund, California .....	59	-59	-	301	-301	-	-	-	-
Collection Agency Fund .....	14,709	-14,709	-	25,565	-25,565	-	66	-66	-
Driver Training Penalty Assessment Fund .....	4,668	-4,668	-	-	-	-	13,799	-13,799	-
Employment Development Dept Benefit Audit .....	26,215	-26,215	-	21,653	-21,653	-	20,929	-20,929	-
Energy and Resource Fund .....	477	-477	-	595	-595	-	422	-422	-
Fair and Exposition Fund .....	246	-246	-	246	-246	-	246	-246	-
Restitution Fund .....	-	-	-	26,000	-26,000	-	-	-	-
Insurance Fund .....	5,158	-5,158	-	11,641	-11,641	-	4,694	-4,694	-
Business Fees Fund, Secty of State's .....	942	-942	-	3,475	-3,475	-	7,706	-7,706	-
Public Foc&loc Ag Dis Res Ac(Abol7/1/97) .....	-	-	-	-	-	-	-	-	-

**SCHEDULE 8—Continued**  
**COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
(Dollars in Thousands)

Sources	Actual 1996-97			Estimated 1997-98			Estimated 1998-99		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Street and Highway Account (Abol 7/1/97) .....	13	-13	-	-	-	-	-	-	-
Habitat Conservation Fund.....	-	-1,000	-1,000	-	-	-	-	-	-
Motor Corriers Permit Fund .....	2,804	-2,804	-	3,258	-3,258	-	3,258	-3,258	-
In-Home Supportive Service Reg Model/STIA .....	-	-	-	-	-	-	180	-180	-
Disaster Relief Fund.....	7,550	-7,550	-	-	-	-	-	-	-
Natural Resources Infrastructure Fund.....	-	-	-	1,238	-1,238	-	-	-	-
Olympic Training Account, California.....	100	-100	-	100	-100	-	84	-84	-
Financial Responsibility Penalty Account.....	7,391	-7,391	-	7,357	-7,357	-	7,160	-7,160	-
Water Resources Development Bond Fund.....	-	26,627	26,627	-	27,177	27,177	-	-	-
Expo & State Fair Enterprise Fund, Cal. ....	-	250	250	-	459	459	-	-	-
Agriculture Building Fund.....	-	99	99	-	99	99	-	99	99
Army Fund.....	-	-	-	139	-	139	33	-	33
Mobilehome Manufactured Home Revolv Fd.....	-	-	-	-	-	-	706	-	706
Service Revolving Fund.....	-	-	-	-	1,252	1,252	-	-	-
Water Quality Control Fund, State.....	-	-	-	-	1,500	1,500	-	-	-
Disaster Housing Repair Fund, California .....	5,800	-	5,800	-	-	-	-	-	-
School Building Aid Fund, State.....	20,205	-	20,205	21,856	-	21,856	23,456	-	23,456
Licensed Midwifery Fund.....	-	-	-	-	-	-	31	-31	-
Computer Software Refund Fund .....	10	-	10	-	-	-	-	-	-
Superfund Bond Trust Fund .....	-	6,498	6,498	-	1,909	1,909	-	148	148
Milk Producers Security Trust Fund.....	-	1,650	1,650	-	1,300	1,300	-	1,300	1,300
Collins-Dugon CA Conservation Corps Fund .....	-	25,258	25,258	-	-	-	-	-	-
High Polluter Repair or Removal Account.....	-	-	-	-	6,468	6,468	-	-	-
Local Hlth Capitol Expend Acc. Co Hlth F.....	-	-	-	1,263	-	1,263	-	-	-
Industrial Relations Unpaid Wage Fund.....	91	-	91	-	-	-	144	-	144
Forest Resources Improvement Fund.....	255	-	255	300	-	300	300	-	300
Triol Court Trust Fund .....	-	-	-	-	-	-	-	16,785	16,785
Renewable Resources Investment Fund.....	-	2,042	2,042	-	-	-	-	-	-
Special Deposit Fund.....	2,225	52,312	54,537	4,083	-	4,083	3,000	49,654	52,654
School Site Utilization Fund, State.....	3,043	-	3,043	3,041	-	3,041	3,041	-	3,041
Voluntary Alliance Uniting Employers Fd.....	-	2,000	2,000	-	800	800	-	800	800
Foster Children and Parent Train Fund.....	621	-	621	1,577	-	1,577	496	-	496
Unclaimed Property Fund.....	-	-	-	-	11,641	11,641	-	4,694	4,694
<b>TOTALS, TRANSFERS AND LOANS .....</b>	<b>\$70,099</b>	<b>\$31,629</b>	<b>\$101,728</b>	<b>\$149,345</b>	<b>-\$65,781</b>	<b>\$83,564</b>	<b>\$6,985</b>	<b>-\$73,140</b>	<b>-\$66,155</b>
Adjustment to Reconcile to Controller.....	\$1,006	-	\$1,006	-	-	-	-	-	-
<b>TOTALS, REVENUES AND TRANSFERS.....</b>	<b>\$49,219,769</b>	<b>\$13,611,554</b>	<b>\$62,831,323</b>	<b>\$52,889,554</b>	<b>\$14,158,572</b>	<b>\$67,048,126</b>	<b>\$55,383,129</b>	<b>\$14,720,415</b>	<b>\$70,103,544</b>

**SCHEDULE 9**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
LEGISLATIVE, JUDICIAL, AND EXECUTIVE															
Legislative															
Legislature															
Senate															
State Operations.....	\$9,541	-	-	\$9,541	-	63,381	-	-	63,381	-	68,768	-	-	68,768	-
Assembly															
State Operations.....	80,885	-	-	80,885	-	86,102	-	-	86,102	-	92,990	-	-	92,990	-
Totals, Legislature .....	\$140,426	-	-	\$140,426	-	\$149,483	-	-	\$149,483	-	\$161,758	-	-	\$161,758	-
Contributions to Legislator Retire Fund															
State Operations .....	\$695	-	-	\$695	-	\$702	-	-	\$702	-	\$635	-	-	\$635	-
Legislative Counsel Bureau															
State Operations .....	54,768	-	-	54,768	-	56,246	-	-	56,246	-	58,757	-	-	58,757	-
Totals, Legislative.....	\$195,889	-	-	\$195,889	-	\$206,431	-	-	\$206,431	-	\$221,150	-	-	\$221,150	-
Judicial															
Judiciary															
State Operations .....	\$177,299	-	-	\$177,299	-	\$189,247	\$373	-	\$189,620	\$1,453	\$216,656	\$383	-	\$217,039	\$1,968
Commission on Judicial Performance															
State Operations .....	2,671	-	-	2,671	-	3,007	-	-	3,007	-	3,448	-	-	3,448	-
Contributions to Judges Retirement Fund															
State Operations .....	2,450	-	-	2,450	-	2,172	-	-	2,172	-	2,144	-	-	2,144	-
Local Assistance .....	52,841	-	-	52,841	-	60,414	-	-	60,414	-	85,677	-	-	85,677	-
Totals, Contributions to Judges Retirement Fund.....	\$55,291	-	-	\$55,291	-	\$62,586	-	-	\$62,586	-	\$87,821	-	-	\$87,821	-
Trial Court Funding															
Local Assistance .....	\$483,364	-	-	\$483,364	-	\$360,113	\$18,510	-	\$378,623	-	\$656,032	\$42,004	-	\$698,036	-
Totals, Judicial .....	\$718,625	-	-	\$718,625	-	\$614,953	\$18,883	-	\$633,836	\$1,453	\$963,957	\$42,387	-	\$1,006,344	\$1,968
Executive/Governor															
Governor's Office															
State Operations .....	\$4,785	-	-	\$4,785	-	\$4,861	-	-	\$4,861	-	\$4,861	-	-	\$4,861	-
Department of Information Technology															
State Operations .....	1,809	-	-	1,809	-	6,280	-	-	6,280	-	7,741	-	-	7,741	-
Office of Planning and Research															
State Operations .....	3,008	457	-	3,465	53	3,017	468	-	3,485	55	3,017	468	-	3,485	55
Office of Emergency Services															
State Operations .....	27,933	4,637	-	32,570	26,644	29,849	1,262	-	31,111	25,932	25,445	1,377	-	26,822	18,108
Local Assistance .....	53,870	12,680	-	66,550	346,249	79,340	12,121	-	91,461	420,438	43,004	8,934	-	51,938	254,950
Capital Outlay .....	4,227	-	-	4,227	-	-	-	-	-	-	1,242	-	-	1,242	-
Totals, Office of Emergency Services.....	\$86,030	\$17,317	-	\$103,347	\$372,893	\$109,189	\$13,383	-	\$122,572	\$446,370	\$69,691	\$10,311	-	\$80,002	\$273,058
Nartridge Earthquake															
State Operations .....	\$46,712	-	-	\$46,712	-	\$45,490	-	-	\$45,490	-	-	-	-	-	-



**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Governors Portrait															
State Operations	-	-	-	-	-	-	-	-	-	-	25	-	-	25	-
Governor Elect and Outgoing Governor															
State Operations	-	-	-	-	-	-	-	-	-	-	650	-	-	650	-
Totals, Executive/Governor	\$142,344	\$17,774	-	\$160,118	\$372,946	\$168,837	\$13,851	-	\$182,688	\$446,425	\$85,985	\$10,779	-	\$96,764	\$273,113
Executive/Constitutional Offices															
Office of the Lieutenant Governor															
State Operations	\$1,312	-	-	\$1,312	-	\$1,366	-	-	\$1,366	-	\$1,366	-	-	\$1,366	-
Department of Justice															
State Operations	206,878	56,980	-	263,858	17,988	216,185	75,519	-	291,704	32,439	227,546	72,276	-	299,822	32,456
Local Assistance	5,723	37	-	5,760	-	38,325	2,935	-	41,260	-	18,193	5,023	-	23,216	-
Capital Outlay	877	-	-	877	-	1,401	-	-	1,401	-	5,602	-	-	5,602	-
Totals, Department of Justice	\$213,478	\$57,017	-	\$270,495	\$17,988	\$255,911	\$78,454	-	\$334,365	\$32,439	\$251,341	\$77,299	-	\$328,640	\$32,456
State Controller															
State Operations	\$62,099	\$4,983	\$820	\$67,902	\$922	\$60,064	\$5,142	\$791	\$65,997	\$1,290	\$61,043	\$5,016	\$715	\$66,774	\$1,289
Local Assistance	-	553	-	553	-	-	456	-	456	-	-	456	-	456	-
Totals, State Controller	\$62,099	\$5,536	\$820	\$68,455	\$922	\$60,064	\$5,598	\$791	\$66,453	\$1,290	\$61,043	\$5,472	\$715	\$67,230	\$1,289
Department of Insurance															
State Operations	-	\$98,211	-	\$98,211	-	\$4,191	\$93,948	-	\$98,139	-	\$4,083	\$97,565	-	\$101,648	-
Local Assistance	-	23,254	-	23,254	-	-	25,312	-	25,312	-	-	25,109	-	25,109	-
Totals, Department of Insurance	-	\$121,465	-	\$121,465	-	\$4,191	\$119,260	-	\$123,451	-	\$4,083	\$122,674	-	\$126,757	-
Gambling Control Commission, California															
State Operations	-	-	-	-	-	-	-	-	-	-	-	\$615	-	\$615	-
State Board of Equalization															
State Operations	182,746	18,677	-	201,423	135	180,270	21,928	-	202,198	310	184,645	21,629	-	206,274	194
Secretary of State															
State Operations	27,718	22,028	-	49,746	-	29,420	24,168	-	53,588	-	24,907	19,559	-	44,466	-
Local Assistance	4,813	-	-	4,813	-	18,943	-	-	18,943	-	8,995	-	-	8,995	-
Capital Outlay	-	-	-	-	-	12	47	-	59	-	-	-	-	-	-
Totals, Secretary of State	\$32,531	\$22,028	-	\$54,559	-	\$48,375	\$24,215	-	\$72,590	-	\$33,902	\$19,559	-	\$53,461	-
State Treasurer															
State Operations	\$2,967	-	-	\$2,967	-	\$7,300	\$201	-	\$7,501	-	\$6,722	\$341	-	\$7,063	-
Calif Debt & Investment Advisory Comm															
State Operations	-	1,337	-	1,337	-	-	1,610	-	1,610	-	-	1,588	-	1,588	-
California Debt Limit Allocation Commit															
State Operations	-	409	-	409	-	-	415	-	415	-	-	507	-	507	-
Calif Industrial Dev Financing Adv Comm															
State Operations	-	272	-	272	-	-	431	-	431	-	-	447	-	447	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
California Tax Allocation Committee															
State Operations .....	-	1,562	-	1,562	-	-	1,578	-	1,578	-	-	1,727	-	1,727	-
Local Assistance .....	-	263	-	263	-	-	136	-	136	-	-	136	-	136	-
Totals, California Tax Allocation Committee ..	-	\$1,825	-	\$1,825	-	-	\$1,714	-	\$1,714	-	-	\$1,863	-	\$1,863	-
Totals, Executive/Constitutional Offices .....	\$495,133	\$228,566	\$820	\$724,519	\$19,045	\$557,477	\$253,826	\$791	\$812,094	\$34,039	\$543,102	\$251,994	\$715	\$795,811	\$33,939
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE ...	\$1,551,991	\$246,340	\$820	\$1,799,151	\$391,991	\$1,547,698	\$286,560	\$791	\$1,835,049	\$481,917	\$1,814,194	\$305,160	\$715	\$2,120,069	\$309,020
State Operations .....	946,276	209,553	820	1,156,649	45,742	989,150	227,043	791	1,216,984	61,479	995,449	223,498	715	1,219,662	54,070
Local Assistance .....	600,611	36,787	-	637,398	346,249	557,135	59,470	-	616,605	420,438	811,901	81,662	-	893,563	254,950
Capital Outlay .....	5,104	-	-	5,104	-	1,413	47	-	1,460	-	6,844	-	-	6,844	-
STATE AND CONSUMER SERVICES															
Secretary for State and Consumer Service															
State Operations .....	731	-	-	731	-	732	-	-	732	-	732	-	-	732	-
California Science Center															
State Operations .....	5,598	1,599	-	7,197	-	8,554	2,170	-	10,724	-	12,520	2,170	-	14,690	-
Dept of Consumer Affairs-Regulatory Bds															
Board of Accountancy															
State Operations .....	-	7,664	-	7,664	-	-	9,608	-	9,608	-	-	9,498	-	9,498	-
Board of Architectural Examiners															
State Operations .....	-	2,480	-	2,480	-	-	2,863	-	2,863	-	-	3,539	-	3,539	-
Athletic Commission															
State Operations .....	669	257	-	926	-	775	175	-	950	-	769	167	-	936	-
Board of Barbering and Cosmetology															
State Operations .....	-	7,735	-	7,735	-	-	-	-	-	-	-	-	-	-	-
Board of Behavioral Science Examiners															
State Operations .....	-	4,513	-	4,513	-	-	4,163	-	4,163	-	-	4,037	-	4,037	-
Contractors State License Board															
State Operations .....	-	39,967	-	39,967	-	-	41,064	-	41,064	-	-	41,926	-	41,926	-
Board of Dentistry															
State Operations .....	-	5,306	-	5,306	-	-	5,588	-	5,588	-	-	5,677	-	5,677	-
Committee on Dental Auxiliaries															
State Operations .....	-	1,123	-	1,123	-	-	1,055	-	1,055	-	-	1,204	-	1,204	-
Bd of Reg for Geologists & Geophysicists															
State Operations .....	-	580	-	580	-	-	802	-	802	-	-	912	-	912	-
Board of Guide Dogs for the Blind															
State Operations .....	-	61	-	61	-	-	-	-	-	-	-	93	-	93	-
Board of Landscape Architects															
State Operations .....	-	462	-	462	-	-	-	-	-	-	-	-	-	-	-
Medical Board of California															
State Operations .....	-	31,563	-	31,563	-	-	32,042	-	32,042	-	-	32,907	-	32,907	-
Acupuncture Committee															
State Operations .....	-	1,226	-	1,226	-	-	1,201	-	1,201	-	-	1,364	-	1,364	-
Hearing Aid Dispensers Examining Commit															
State Operations .....	-	585	-	585	-	-	581	-	581	-	-	436	-	436	-
Physical Therapy Examining Committee															
State Operations .....	-	1,493	-	1,493	-	-	2,047	-	2,047	-	-	1,778	-	1,778	-
Physician Assistant Examining Committee															
State Operations .....	-	716	-	716	-	-	765	-	765	-	-	800	-	800	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Padiatric Medicine, Board of State Operations.....	-	873	-	873	-	-	-	965	965	-	-	1,004	-	1,004	-
Psychology, Board of State Operations.....	-	2,682	-	2,682	-	-	2,760	-	2,760	-	-	2,779	-	2,779	-
Respiratory Care Examining Committee State Operations.....	-	1,919	-	1,919	-	-	1,874	-	1,874	-	-	1,731	-	1,731	-
Speech-Language Pathology & Audiology Exam	-														
State Operations.....	-	339	-	339	-	-	301	-	301	-	-	343	-	343	-
Board of Nursing Home Administrators, St	-														
State Operations.....	-	366	-	366	-	-	451	-	451	-	-	-	-	-	-
Board of Optometry	-														
State Operations.....	-	1,055	-	1,055	-	-	1,003	-	1,003	-	-	1,042	-	1,042	-
Board of Pharmacy	-														
State Operations.....	-	4,889	-	4,889	-	-	6,581	-	6,581	-	-	5,625	-	5,625	-
Bd of Reg for Prof Engineer & Lnd Surv	-														
State Operations.....	-	6,375	-	6,375	-	-	6,649	-	6,649	-	-	6,918	-	6,918	-
Board of Registered Nursing	-														
State Operations.....	-	11,621	-	11,621	-	-	11,630	-	11,630	-	-	12,189	-	12,189	-
Court Reporters Board of California	-														
State Operations.....	-	689	-	689	-	-	849	-	849	-	-	859	-	859	-
Structural Pest Control Board	-														
State Operations.....	-	3,270	-	3,270	-	-	3,535	-	3,535	-	-	3,519	-	3,519	-
Veterinary Medical Board	-														
State Operations.....	-	1,185	-	1,185	-	-	1,185	-	1,185	-	-	1,347	-	1,347	-
Registered Veterinary Techn Exam Comm	-														
State Operations.....	-	95	-	95	-	-	105	-	105	-	-	-	-	-	-
Board of Vocational Nurse Program	-														
State Operations.....	-	3,080	-	3,080	-	-	3,026	-	3,026	-	-	3,381	-	3,381	-
8d of Psychiatric Technician Program	-														
State Operations.....	-	800	-	800	-	-	896	-	896	-	-	978	-	978	-
Totals, Dept of Consumer Affairs-Regulatory	\$669	\$144,969	-	\$145,638	-	\$775	\$143,764	-	\$144,539	-	\$769	\$146,053	-	\$146,822	-
8ds.....															
Dept Consumer Affairs-Bureaus,Prog,Div	-														
State Operations .....	-	\$105,656	-	\$105,656	-	-	\$114,051	-	\$114,051	\$499	\$900	\$185,208	-	\$186,108	\$1,000
Dept of Fair Employment and Housing															
State Operations .....	12,224	-	-	12,224	4,403	13,462	-	-	13,462	3,976	15,189	-	-	15,189	3,976
Fair Employment and Housing Commission															
State Operations .....	779	-	-	779	-	1,081	-	-	1,081	-	1,196	-	-	1,196	-
Franchise Tax Board															
State Operations .....	328,199	7,213	-	335,412	-	340,115	8,555	-	348,670	-	353,226	8,755	-	361,981	-
Local Assistance .....	3,666	-	-	3,666	-	11,345	-	-	11,345	-	5,000	-	-	5,000	-
Totals, Franchise Tax Board .....	\$331,865	\$7,213	-	\$339,078	-	\$351,460	\$8,555	-	\$360,015	-	\$358,226	\$8,755	-	\$366,981	-



**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Department of General Services															
State Operations .....	\$11,136	\$44,735	\$936	\$56,807	-	\$12,250	\$53,838	\$832	\$66,920	-	\$12,345	\$56,802	\$4,781	\$73,928	-
Local Assistance .....	-	64,441	742	65,183	-	-	72,474	17,848	90,322	-	-	78,278	-	78,278	-
Capitol Outlay .....	-	-	20,508	20,508	-	-	-	114,670	114,670	-	-	-	55,834	55,834	-
Totals, Department of General Services .....	\$11,136	\$109,176	\$22,186	\$142,498	-	\$12,250	\$126,312	\$133,350	\$271,912	-	\$12,345	\$135,080	\$60,615	\$208,040	-
State Personnel Board															
State Operations .....	\$5,360	-	-	\$5,360	-	\$5,385	-	-	\$5,385	-	\$6,229	-	-	\$6,229	-
TOTALS, STATE AND CONSUMER SERVICES .....	\$368,362	\$368,613	\$22,186	\$759,161	\$4,403	\$393,699	\$394,852	\$133,350	\$921,901	\$4,475	\$408,106	\$477,266	\$60,615	\$945,987	\$4,976
State Operations.....	364,696	304,172	936	669,804	4,403	382,354	322,378	832	705,564	4,475	403,106	398,988	4,781	806,875	4,976
Local Assistance.....	3,666	64,441	742	68,849	-	11,345	72,474	17,848	101,667	-	5,000	78,278	-	83,278	-
Capitol Outlay .....	-	-	20,508	20,508	-	-	-	114,670	114,670	-	-	-	55,834	55,834	-
BUSINESS, TRANSPORTATION, AND HOUSING															
Business and Housing															
Sec for Business,Transport and Housing															
State Operations .....	-	830	-	830	-	-	880	-	880	-	-	906	-	906	-
Dept of Alcoholic Beverage Control															
State Operations .....	-	27,921	-	27,921	-	-	31,031	-	31,031	-	-	32,142	-	32,142	-
Local Assistance .....	-	-	-	-	-	-	1,500	-	1,500	-	-	1,500	-	1,500	-
Totals, Dept of Alcoholic Beverage Control,...	-	\$27,921	-	\$27,921	-	-	\$32,531	-	\$32,531	-	-	\$33,642	-	\$33,642	-
Alcoholic Beverage Control Appeals 8d															
State Operations .....	-	\$610	-	\$610	-	-	\$663	-	\$663	-	-	\$727	-	\$727	-
State Banking Department															
State Operations .....	-	14,433	-	14,433	-	-	-	-	-	-	-	-	-	-	-
Department of Financial Institutions															
State Operations .....	-	-	-	-	-	-	18,042	-	18,042	-	-	18,853	-	18,853	-
Dept of Corporations															
State Operations .....	-	30,337	-	30,337	-	-	36,295	-	36,295	-	-	36,722	-	36,722	-
Dept of Housing & Community Development															
State Operations .....	4,428	3,677	2,846	10,951	4,619	5,101	3,617	2,135	10,853	5,090	4,580	3,604	2,050	10,234	4,897
Local Assistance .....	6,326	-	-	6,326	85,300	18,625	-	-	18,625	104,231	10,291	-	-	10,291	99,000
Totals, Dept of Housing & Community Development .....	\$10,754	\$3,677	\$2,846	\$17,277	\$89,919	\$23,726	\$3,617	\$2,135	\$29,478	\$109,321	\$14,871	\$3,604	\$2,050	\$20,525	\$103,897
Office of Real Estate Appraisers															
State Operations .....	-	\$3,756	-	\$3,756	-	-	\$3,821	-	\$3,821	-	-	\$4,155	-	\$4,155	-
Dept of Real Estate															
State Operations .....	-	23,599	-	23,599	-	-	26,480	-	26,480	-	-	28,318	-	28,318	-
Totals, Business and Housing .....	\$10,754	\$105,163	\$2,846	\$118,763	\$89,919	\$23,726	\$122,329	\$2,135	\$148,190	\$109,321	\$14,871	\$126,927	\$2,050	\$143,848	\$103,897
Transportation															
California Transportation Commission															
State Operations .....	-	\$1,317	\$874	\$2,191	-	-	\$1,462	\$983	\$2,445	-	-	\$1,437	\$983	\$2,420	-
Local Assistance .....	-	-	189,590	189,590	-	-	-	225,000	225,000	-	-	-	225,000	225,000	-
Totals, California Transportation Commission, .....	-	\$1,317	\$190,464	\$191,781	-	-	\$1,462	\$225,983	\$227,445	-	-	\$1,437	\$225,983	\$227,420	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97					Estimated 1997-98					Estimated 1998-99				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Special Transportation Programs															
Local Assistance .....	-	\$76,100	-	\$76,100	-	-	\$84,800	-	\$84,800	-	-	\$100,259	-	\$100,259	-
Dept of Transportation															
State Operations .....	-	1,410,204	178,079	1,588,283	273,524	-	1,511,280	118,966	1,630,246	303,667	-	1,590,861	90,549	1,681,410	347,864
Local Assistance															
Aeronautics Program .....	-	4,162	-	4,162	-	-	8,466	-	8,466	-	-	8,466	-	8,466	-
Highway Transportation Program .....	-	204,988	-	204,988	604,371	-	321,068	-	321,068	677,269	-	309,030	-	309,030	561,893
Mass Transportation Program .....	-	103,653	-	103,653	21,612	-	177,785	-	177,785	32,388	-	159,389	-	159,389	50,662
Transportation Planning Program .....	-	-	-	-	21,000	-	-	-	-	21,000	-	2,000	-	2,000	40,000
Totals, Local Assistance .....	-	312,803	-	312,803	646,983	-	507,319	-	507,319	730,657	-	478,885	-	478,885	652,555
Capital Outlay .....	-	548,479	437,904	986,383	854,785	-	435,736	901,165	1,336,901	968,672	-	746,302	219,673	965,975	1,086,368
Totals, Dept of Transportation .....	-	\$2,271,486	\$615,983	\$2,887,469	\$1,775,292	-	\$2,454,335	\$1,020,131	\$3,474,466	\$2,002,996	-	\$2,816,048	\$310,222	\$3,126,270	\$2,086,787
High-Speed Rail Authority															
State Operations .....	-	-	-	-	-	-	\$1,500	-	\$1,500	-	-	\$3,000	-	\$3,000	-
Office of Traffic Safety															
State Operations .....	-	334	-	334	15,751	-	334	-	334	14,497	-	336	-	336	14,572
Local Assistance .....	-	-	-	-	13,157	-	-	-	-	10,682	-	-	-	-	10,682
Totals, Office of Traffic Safety .....	-	\$334	-	\$334	\$28,908	-	\$334	-	\$334	\$25,179	-	\$336	-	\$336	\$25,254
Dept of the California Highway Patrol															
State Operations .....	\$3,456	\$736,228	-	\$739,684	\$3,827	\$3,462	\$800,752	-	\$804,214	\$6,207	-	\$808,903	-	\$808,903	\$5,323
Capital Outlay .....	-	9,887	-	9,887	-	-	3,960	-	3,960	-	-	140	-	140	-
Totals, Dept of the California Highway Patrol .....	\$3,456	\$746,115	-	\$749,571	\$3,827	\$3,462	\$804,712	-	\$808,174	\$6,207	-	\$809,043	-	\$809,043	\$5,323
Department of Motor Vehicles															
State Operations .....	\$58	\$519,402	-	\$519,460	\$128	\$60	\$554,820	-	\$554,880	\$96	\$60	\$575,369	-	\$575,429	-
Capital Outlay .....	-	7,329	-	7,329	-	-	1,077	-	1,077	-	-	12,474	-	12,474	-
Totals, Department of Motor Vehicles .....	\$58	\$526,731	-	\$526,789	\$128	\$60	\$555,897	-	\$555,957	\$96	\$60	\$587,843	-	\$587,903	-
Totals, Transportation .....	\$3,514	\$3,622,083	\$806,447	\$4,432,044	\$1,808,155	\$3,522	\$3,903,040	\$1,246,114	\$5,152,676	\$2,034,478	\$60	\$4,317,966	\$536,205	\$4,854,231	\$2,117,364
Statewide Distributed Costs															
General Obligation Bonds-87&H															
State Operations .....	\$283,897	-	-	\$283,897	-	\$249,461	-	-	\$249,461	-	\$322,871	-	-	\$322,871	-
Totals, Statewide Distributed Costs .....	\$283,897	-	-	\$283,897	-	\$249,461	-	-	\$249,461	-	\$322,871	-	-	\$322,871	-
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING.	\$298,165	\$3,727,246	\$809,293	\$4,834,704	\$1,898,074	\$276,709	\$4,025,369	\$1,248,249	\$5,550,327	\$2,143,799	\$337,802	\$4,444,893	\$538,255	\$5,320,950	\$2,221,261
State Operations .....	\$291,839	\$2,772,648	\$181,799	\$3,246,286	\$297,849	\$258,084	\$2,990,977	\$122,084	\$3,371,145	\$329,557	\$327,511	\$3,105,333	\$93,582	\$3,526,426	\$372,656
Local Assistance .....	6,326	\$88,903	\$189,590	\$584,819	\$745,440	\$18,625	\$93,619	\$225,000	\$837,244	\$45,570	\$10,291	\$80,644	\$225,000	\$15,935	\$762,237
Capital Outlay .....	-	\$65,695	\$437,904	\$1,003,599	\$854,785	-	\$440,773	\$901,165	\$1,341,938	\$68,672	-	\$758,916	\$219,673	\$978,589	\$1,086,368

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
TRADE AND COMMERCE AGENCY															
Trade and Commerce Agency															
State Operations	32,303	1,778	-	34,081	1,319	32,691	1,997	-	34,688	1,505	34,929	1,595	-	36,524	937
Local Assistance	15,164	12,136	-	27,300	6,626	21,212	13,812	-	35,024	6,439	67,982	11,680	-	79,662	7,114
Totals, Trade and Commerce Agency	\$47,467	\$13,914	-	\$61,381	\$7,945	\$53,903	\$15,809	-	\$69,712	\$7,944	\$102,911	\$13,275	-	\$116,186	\$8,051
TOTALS, TRADE AND COMMERCE AGENCY	\$47,467	\$13,914	-	\$61,381	\$7,945	\$53,903	\$15,809	-	\$69,712	\$7,944	\$102,911	\$13,275	-	\$116,186	\$8,051
State Operations	32,303	1,778	-	34,081	1,319	32,691	1,997	-	34,688	1,505	34,929	1,595	-	36,524	937
Local Assistance	15,164	12,136	-	27,300	6,626	21,212	13,812	-	35,024	6,439	67,982	11,680	-	79,662	7,114
RESOURCES															
Secretary for Resources															
State Operations	1,278	1,353	126	2,757	85	1,801	1,408	59,874	63,083	85	1,386	916	-	2,302	-
Local Assistance	-	-	-	-	-	3,300	-	-	3,300	-	3,242	-	-	3,242	-
Totals, Secretary for Resources	\$1,278	\$1,353	\$126	\$2,757	\$85	\$5,101	\$1,408	\$59,874	\$66,383	\$85	\$4,628	\$916	-	\$5,544	-
Special Resources Program															
State Operations	\$319	\$103	-	\$422	-	\$319	\$112	-	\$431	-	\$319	\$112	-	\$431	-
Local Assistance	735	769	-	1,504	-	1,522	80	-	1,602	-	1,701	247	-	1,948	-
Totals, Special Resources Program	\$1,054	\$872	-	\$1,926	-	\$1,841	\$192	-	\$2,033	-	\$2,020	\$359	-	\$2,379	-
California Tahoe Conservancy															
State Operations	\$1,317	\$36	\$909	\$2,262	-	\$1,698	\$34	\$644	\$2,376	-	\$2,282	\$977	-	\$3,259	-
Local Assistance	3,058	212	-	3,270	-	5,404	-	-	5,404	-	2,000	2,000	-	4,000	-
Capitol Outlay	1,540	370	-	1,910	-	7,460	1,461	6,000	14,921	-	2,500	8,973	5,000	16,473	-
Totals, California Tahoe Conservancy	\$5,915	\$618	\$909	\$7,442	-	\$14,562	\$1,495	\$6,644	\$22,701	-	\$6,782	\$11,950	\$5,000	\$23,732	-
California Conservation Corps															
State Operations	\$30,168	\$31,335	-	\$61,503	\$1,971	\$31,555	\$33,393	-	\$64,948	\$10,286	\$32,450	\$34,608	-	\$67,058	\$10,232
Capitol Outlay	299	-	-	299	-	120	-	-	120	-	-	-	-	-	-
Totals, California Conservation Corps	\$30,467	\$31,335	-	\$61,802	\$1,971	\$31,675	\$33,393	-	\$65,068	\$10,286	\$32,450	\$34,608	-	\$67,058	\$10,232
Energy Resources Conservation & Dev Com															
State Operations	-	\$34,835	-	\$34,835	\$7,870	-	\$116,285	-	\$116,285	\$16,941	-	\$221,124	-	\$221,124	\$30,964
Local Assistance	-	1,913	-	1,913	-	-	5,434	-	5,434	-	-	4,500	-	4,500	-
Totals, Energy Resources Conservation & Dev Com	-	\$36,748	-	\$36,748	\$7,870	-	\$121,719	-	\$121,719	\$16,941	-	\$225,624	-	\$225,624	\$30,964
Renewable Resources Investment Program															
State Operations	-	\$2,600	-	\$2,600	-	-	\$2,400	-	\$2,400	-	-	\$2,400	-	\$2,400	-
Colorado River Board of California															
State Operations	195	11	-	206	-	209	15	-	224	-	209	16	-	225	-
Department of Conservation															
State Operations	14,820	360,244	-	375,064	1,965	15,508	370,276	-	385,784	2,923	15,770	348,237	-	364,007	2,417
Local Assistance	-	118	-	118	-	120	-	-	120	-	-	3,720	-	3,720	-
Totals, Department of Conservation	\$14,820	\$360,362	-	\$375,182	\$1,965	\$15,628	\$370,276	-	\$385,904	\$2,923	\$15,770	\$351,957	-	\$367,727	\$2,417



**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99			
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds
Department of Forestry and Fire Protect												
State Operations .....	\$363,843	\$8,720	\$37	\$372,600	\$14,539	\$288,837	\$6,375	\$26	\$295,238	\$9,185	\$291,936	\$7,005
Local Assistance .....	-	-	632	632	-	-	-	400	400	479	-	-
Capital Outlay .....	10,961	-	-	10,961	-	9,199	-	-	9,199	-	32,286	-
Totals, Department of Forestry and Fire Protect .....	\$374,804	\$8,720	\$669	\$384,193	\$14,539	\$298,036	\$6,375	\$426	\$304,837	\$9,664	\$324,222	\$7,005
State Lands Commission												
State Operations .....	\$10,350	\$4,896	-	\$15,246	-	\$10,439	\$4,875	-	\$15,314	-	\$9,414	\$5,063
Seismic Safety Commission												
State Operations .....	763	-	471	1,234	-	782	-	353	1,135	-	782	-
Department of Fish and Game												
State Operations .....	3,116	119,199	-	122,315	23,736	4,224	129,157	11,903	145,284	26,517	4,089	135,437
Local Assistance .....	-	870	-	870	-	-	1,228	500	1,728	-	-	4,092
Capital Outlay .....	-	926	211	1,137	286	-	862	-	862	62	55	1,619
Totals, Department of Fish and Game .....	\$3,116	\$120,995	\$211	\$124,322	\$24,022	\$4,224	\$131,247	\$12,403	\$147,874	\$26,579	\$4,144	\$141,148
Wildlife Conservation Board												
State Operations .....	-	\$6,336	\$1,075	\$7,411	-	-	\$4,989	-	\$4,989	-	-	\$4,049
Local Assistance .....	-	1,400	-	1,400	-	-	2,070	-	2,070	-	-	-
Capital Outlay .....	-	7,989	5,650	13,639	-	-	26,992	17,175	44,167	-	-	23,858
Totals, Wildlife Conservation Board .....	-	\$15,725	\$6,725	\$22,450	-	-	\$34,051	\$17,175	\$51,226	-	-	\$27,907
Dept of Boating & Waterways												
State Operations .....	-	-	-	-	\$2,007	-	-	-	-	\$1,100	-	-
Local Assistance .....	-	-	-	-	751	-	-	-	-	2,217	-	-
Unclassified .....	-	27,409	-	27,409	-	-	27,957	-	27,957	-	-	28,516
Totals, Dept of Boating & Waterways .....	-	\$27,409	-	\$27,409	\$2,758	-	\$27,957	-	\$27,957	\$3,317	-	\$28,516
California Coastal Commission												
State Operations .....	\$5,610	\$1,298	-	\$6,908	\$2,992	\$7,284	-	-	\$7,284	\$3,008	\$6,939	-
Local Assistance .....	-	-	-	-	-	340	-	-	340	-	3	-
Totals, California Coastal Commission .....	\$5,610	\$1,298	-	\$6,908	\$2,992	\$7,624	-	-	\$7,624	\$3,008	\$6,942	-
State Coastal Conservancy												
State Operations .....	-	-	\$2,827	\$2,827	\$113	-	-	\$955	\$955	\$87	\$160	-
Local Assistance .....	450	2,006	689	3,145	656	-	-	-	-	-	-	-
Capital Outlay .....	-	5,940	2,044	7,984	-	1,000	7,023	11,067	19,090	3,924	11,590	6,725
Totals, State Coastal Conservancy .....	\$450	\$7,946	\$5,560	\$13,956	\$769	\$1,000	\$7,023	\$12,022	\$20,045	\$4,011	\$11,750	\$6,725
Dept of Parks and Recreation												
State Operations .....	\$66,686	\$104,892	\$2,534	\$174,112	\$2,152	\$65,870	\$106,394	\$2,477	\$174,741	\$2,895	\$63,891	\$113,464
Local Assistance .....	340	18,784	1,282	20,406	654	440	24,969	5,473	30,882	10,373	-	15,118
Capital Outlay .....	1,392	7,765	6,793	15,950	1,071	4,825	22,303	12,108	39,236	1,309	5,890	12,945
Totals, Dept of Parks and Recreation .....	\$68,418	\$131,441	\$10,609	\$210,468	\$3,877	\$71,135	\$153,666	\$20,058	\$244,859	\$14,577	\$69,781	\$141,547

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
(Dollars in Thousands)

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds
Santa Monica Mountains Conservancy															
State Operations .....	-	\$96	-	\$96	-	-	\$96	-	\$96	-	-	\$107	-	\$107	-
Capital Outlay .....	-	11	-	11	-	-	-	5,000	5,000	-	-	-	-	-	-
Totals, Santa Monica Mountains Conservancy .....	-	\$107	-	\$107	-	-	\$96	\$5,000	\$5,096	-	-	\$107	-	\$107	-
San Francisco Bay Conserv & Develop Com															
State Operations .....	\$1,744	\$65	-	\$1,809	\$43	\$1,731	\$150	-	\$1,881	\$106	\$2,008	-	-	\$2,008	\$106
Son Joaquin River Conservancy															
State Operations .....	-	94	-	94	-	-	179	-	179	-	-	185	-	185	-
Capital Outlay .....	-	40	-	40	-	-	-	-	-	-	-	-	-	-	-
Totals, Son Joaquin River Conservancy .....	-	\$134	-	\$134	-	-	\$179	-	\$179	-	-	\$185	-	\$185	-
Delta Protection Commission															
State Operations .....	-	\$162	-	\$162	-	-	\$184	-	\$184	-	-	\$106	-	\$106	-
Coachella Valley Mountains Conservancy															
State Operations .....	-	99	-	99	-	-	129	-	129	-	-	163	-	163	-
Capital Outlay .....	-	-	-	-	-	-	40	-	40	-	-	40	-	40	-
Totals, Coachella Valley Mountains Conservancy .....	-	\$99	-	\$99	-	-	\$169	-	\$169	-	-	\$203	-	\$203	-
Department of Water Resources															
State Operations .....	\$28,860	\$15,461	\$2,369	\$46,690	\$1,923	\$28,169	\$16,240	\$40,333	\$84,742	\$4,482	\$38,970	\$2,410	\$20,921	\$62,301	\$5,222
Local Assistance .....	60	13,920	66,662	80,642	-	-	10,850	106,826	117,476	-	-	4,841	58,991	63,832	-
Capital Outlay .....	10,606	-	-	10,606	-	26,541	-	600	27,141	-	18,110	-	1,650	19,760	-
Totals, Department of Water Resources .....	\$39,526	\$29,381	\$69,031	\$137,938	\$1,923	\$54,710	\$27,090	\$147,559	\$229,359	\$4,482	\$57,080	\$7,251	\$81,562	\$145,893	\$5,222
General Obligation Bonds-Resources															
State Operations .....	\$212,988	-	-	\$212,988	-	\$206,510	-	-	\$206,510	-	\$201,898	-	-	\$201,898	-
TOTALS, RESOURCES .....	\$771,498	\$782,277	\$94,311	\$1,648,086	\$62,814	\$725,207	\$923,960	\$281,514	\$1,930,681	\$95,979	\$749,880	\$993,593	\$106,289	\$1,849,762	\$105,863
State Operations.....	742,057	691,835	10,348	1,444,240	59,396	664,936	792,691	116,565	1,574,192	77,615	672,503	876,399	38,241	1,587,143	92,888
Local Assistance.....	4,643	39,992	69,265	113,900	2,061	11,126	44,631	112,999	168,756	13,069	6,946	34,518	59,391	100,855	10,375
Capital Outlay .....	24,798	23,041	14,698	62,537	1,357	49,145	58,681	51,950	159,776	5,295	70,431	54,160	8,657	133,248	2,600
Unclassified .....	-	27,409	-	27,409	-	-	27,957	-	27,957	-	-	28,516	-	28,516	-
CALIF ENVIRONMENTAL PROTECTION AGENCY															
Secretary for Environmental Protection															
State Operations .....	-	824	-	824	-	-	813	-	813	-	-	890	-	890	-
State Air Resources Board															
State Operations .....	-	87,260	-	87,260	7,812	2,500	88,114	-	90,614	11,014	5,524	92,799	-	98,323	10,877
Local Assistance .....	-	7,511	-	7,511	-	-	7,511	-	7,511	-	-	7,511	-	7,511	-
Totals, State Air Resources Board .....	-	\$94,771	-	\$94,771	\$7,812	\$2,500	\$95,625	-	\$98,125	\$11,014	\$5,524	\$100,310	-	\$105,834	\$10,877

## SCHEDULE 9—Continued

## Appendix 39



**SCHEDULE 9—Continued**

Estimated 1998-99

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Department of Mental Health															
State Operations .....	\$256,443	-	-	\$256,443	\$2,117	\$286,240	-	-	\$286,240	\$2,131	\$315,020	-	-	\$315,020	\$2,067
Local Assistance .....	223,506	500	-	224,006	37,857	267,129	500	-	267,629	37,427	255,469	500	-	255,969	42,518
Capital Outlay .....	14,513	-	-	14,513	-	16,317	-	-	16,317	-	1,306	-	-	1,306	-
Totals, Department of Mental Health .....	\$494,462	\$500	-	\$494,962	\$39,974	\$569,686	\$500	-	\$570,186	\$39,558	\$571,795	\$500	-	\$572,295	\$44,585
Department of Community Services & Develo															
State Operations .....	-	-	-	-	\$7,320	-	-	-	-	\$12,593	-	-	-	-	\$11,718
Local Assistance .....	1,000	-	-	1,000	104,530	2,000	-	-	2,000	108,763	1,000	-	-	1,000	109,633
Totals, Department of Community Services & Develo .....	\$1,000	-	-	\$1,000	\$111,850	\$2,000	-	-	\$2,000	\$121,356	\$1,000	-	-	\$1,000	\$121,351
Employment Development Dept															
State Operations .....	\$23,622	\$45,236	-	\$68,858	\$682,745	\$23,606	\$48,262	-	\$71,868	\$835,780	\$23,622	\$46,220	-	\$69,842	\$752,089
Local Assistance .....	-	-	-	-	3,195,551	-	-	-	-	3,376,382	-	-	-	-	3,232,321
Capital Outlay .....	-	-	-	-	2,523	-	-	-	-	-630	-	-	-	-	4,582
Totals, Employment Development Dept .....	\$23,622	\$45,236	-	\$68,858	\$3,880,819	\$23,606	\$48,262	-	\$71,868	\$4,211,532	\$23,622	\$46,220	-	\$69,842	\$3,988,992
Dept of Rehabilitation															
State Operations .....	\$38,182	-	-	\$38,182	\$212,651	\$37,296	-	-	\$37,296	\$223,993	\$37,390	-	-	\$37,390	\$224,170
Local Assistance .....	81,273	-	-	81,273	7,512	86,726	-	-	86,726	7,503	88,411	-	-	88,411	7,490
Capital Outlay .....	14	-	-	14	26	-	-	-	-	-	-	-	-	-	-
Totals, Dept of Rehabilitation .....	\$119,469	-	-	\$119,469	\$220,189	\$124,022	-	-	\$124,022	\$231,496	\$125,801	-	-	\$125,801	\$231,660
Dept of Social Services															
State Operations .....	\$89,511	\$1,670	-	\$91,181	\$278,239	\$64,920	\$2,429	-	\$67,349	\$297,432	\$89,782	\$2,517	-	\$92,299	\$335,485
Local Assistance															
CalWORKS .....	2,381,755	-	-	2,381,755	2,452,169	1,546,828	-	-	1,546,828	2,293,819	1,988,393	-	-	1,988,393	3,900,283
Foster Care .....	306,982	-	-	306,982	414,903	375,366	-	-	375,366	683,381	399,708	-	-	399,708	583,858
SSI/SSP .....	2,012,742	-	-	2,012,742	-	2,062,974	-	-	2,062,974	-	2,159,136	-	-	2,159,136	-
Refugee Cash Assistance .....	-	-	-	-	5,774	-	-	-	-	4,810	-	-	-	-	4,810
County Administration .....	433,376	-	-	433,376	983,959	460,416	-	-	460,416	1,144,259	269,665	-	-	269,665	768,012
Community Care Licensing .....	5,359	-	-	5,359	7,888	6,422	-	-	6,422	6,960	7,246	-	-	7,246	7,584
Employment Services .....	102,836	-	-	102,836	145,731	218,924	-	-	218,924	445,110	-	-	-	-	-
Child Welfare Services .....	350,028	-	-	350,028	598,836	448,753	248	-	449,001	559,872	448,485	151	-	448,636	587,254
Special Programs .....	17,352	-	-	17,352	27,831	19,974	-	-	19,974	30,275	28,991	-	-	30,275	30,275
Other Programs .....	546,991	-	-	546,991	370,390	797,473	-	-	797,473	498,346	768,377	-	-	768,377	229,270
Totals, Local Assistance .....	6,157,421	-	-	6,157,421	5,007,481	9,937,130	248	-	5,937,378	5,666,832	6,070,001	151	-	6,070,152	6,111,346
Totals, Dept of Social Services .....	\$6,246,932	\$1,670	-	\$6,248,602	\$5,285,720	\$6,002,050	\$2,677	-	\$6,004,727	\$5,964,264	\$6,159,783	\$2,668	-	\$6,162,451	\$6,446,831
State-Local Realignment															
Local Assistance .....	-	\$2,554,740	-	\$2,554,740	-	-	\$2,692,049	-	\$2,692,049	-	-	\$2,817,396	-	\$2,817,396	-

## SCHEDULE 9—Continued

Appendix 42



**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99			
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds
Federal Immigration Funding-Incarceration												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds-VAC												
State Operations	395,182	-	-	395,182	-	381,894	-	-	381,894	-	362,970	-
<b>TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY</b>	<b>\$3,805,389</b>	<b>\$9,861</b>	<b>\$41,757</b>	<b>\$3,857,007</b>	<b>\$437,097</b>	<b>\$4,073,515</b>	<b>\$10,163</b>	<b>\$41,405</b>	<b>\$4,125,083</b>	<b>\$348,224</b>	<b>\$4,398,545</b>	<b>\$10,361</b>
State Operations	3,724,066	1,888	7,406	3,733,360	437,097	4,008,560	2,141	854	4,011,555	335,007	4,280,379	2,141
Local Assistance	74,957	7,973	24,810	107,740	-	52,746	8,022	21,000	81,768	9,000	63,276	8,220
Capital Outlay	6,366	-	9,541	15,907	-	12,209	-	19,551	31,760	4,217	54,890	-
<b>EDUCATION</b>												
K thru 12 Education												
Sec fr Child Dev & Education, K-12												
State Operations	2,079	-	-	2,079	1,253	2,084	-	-	2,084	1,442	2,661	-
Local Assistance	-	-	-	-	16,184	5,000	-	-	5,000	20,350	10,000	-
Totals, Sec fr Child Dev & Education, K-12	\$2,079	-	-	\$2,079	\$17,437	\$7,084	-	-	\$7,084	\$21,792	\$12,661	-
Department of Education												
Department of Education												
State Operations	\$84,549	\$2,773	-	\$87,322	\$68,628	\$84,899	\$3,958	-	\$88,857	\$91,320	\$88,221	\$3,475
Local Assistance												
Adult Education	490,698	-	-	490,698	24,929	515,070	-	-	515,070	38,317	513,442	-
Appartments - District and County	11,221,041	8,238	-	11,229,279	-	11,796,015	7,903	-	11,803,918	-	12,309,012	7,903
Child Development	526,304	-	-	526,304	243,810	667,121	-	-	667,121	353,410	814,266	2,500
Child Nutrition	10,760	-	-	10,760	1,091,692	11,364	-	-	11,364	1,182,766	11,882	-
Categorical Programs	3,792,017	32,077	-	3,824,094	1,043,264	5,413,489	46,237	-	5,459,726	1,321,183	5,932,188	33,153
Pupil Assessment	23,944	-	-	23,944	-	65,070	-	-	65,070	-	66,869	-
Special Education	1,860,174	-	-	1,860,174	255,422	2,027,239	-	-	2,027,239	322,259	2,073,095	-
State-Mandated Local Programs	260,786	-	-	260,786	-	137,199	-	-	137,199	-	140,931	-
Totals, Local Assistance	18,185,724	40,315	-	18,226,039	2,659,117	20,632,567	54,140	-	20,686,707	3,217,935	21,861,685	43,556
Totals, Department of Education	\$18,270,273	\$43,088	-	\$18,313,361	\$2,727,745	\$20,717,466	\$58,098	-	\$20,775,564	\$3,309,255	\$21,949,906	\$47,031
Est of Academic Contnt & Perf Stand Cam												
State Operations	\$892	-	-	\$892	-	\$1,407	-	-	\$1,407	-	\$704	-
State Library												
State Operations	15,168	431	208	15,807	2,931	13,414	544	208	14,166	2,858	14,385	544
Local Assistance	30,206	-	-	30,206	11,830	34,590	-	-	34,590	11,901	35,296	-
Totals, State Library	\$45,374	\$431	\$208	\$46,013	\$14,761	\$48,004	\$544	\$208	\$48,756	\$14,759	\$49,681	\$544
Calif State Summer School for the Arts												
State Operations	\$633	-	-	\$633	-	\$639	-	-	\$639	-	\$725	-
CA State Summer School for Math/Science												
State Operations	-	-	-	-	-	-	-	-	-	-	1,000	-
Contributions to Teachers Retire Fund												
Local Assistance	882,631	-	-	882,631	-	954,174	-	-	954,174	-	730,652	-
Retirement Costs for Community Colleges												
Local Assistance	-73,258	-	-	-73,258	-	-77,288	-	-	-77,288	-	-85,103	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Calif State Council on Vocational Educ															
State Operations .....	96	-	-	96	48	-	-	-	-	-	-	-	-	-	-
Calif Occupational Info Coord Committee															
State Operations .....	-	-	-	-	214	-	-	-	-	284	-	-	-	-	284
School Facilities Aid Program															
Local Assistance .....	-	-11,562	742,144	730,582	219	9,354	-11,781	163,008	160,581	4,085	3,041	-11,787	1,956,807	1,948,061	-
Commission on Teacher Credentialing															
State Operations .....	225	19,290	-	19,515	152	92	19,729	-	19,821	159	60	23,353	-	23,413	159
Local Assistance .....	3,478	-	-	3,478	-	3,828	-	-	3,828	-	9,328	-	-	9,328	-
Totals, Commission on Teacher Credentialing .....	\$3,703	\$19,290	-	\$22,993	\$152	\$3,920	\$19,729	-	\$23,649	\$159	\$9,388	\$23,353	-	\$32,741	\$159
General Obligation Bonds K-12															
State Operations .....	\$760,999	-	-	\$760,999	-	\$787,906	-	-	\$787,906	-	\$849,770	-	-	\$849,770	-
Totals, K thru 12 Education .....	\$19,893,422	\$51,247	\$742,352	\$20,687,021	\$2,760,576	\$22,452,666	\$66,590	\$163,216	\$22,682,472	\$3,350,334	\$23,522,425	\$59,141	\$1,957,015	\$25,538,581	\$3,437,953
Higher Education-Community Colleges															
Bd of Governors of Calif Comm Colleges															
State Operations .....	\$8,965	-	\$906	\$9,871	\$20	\$9,591	-	\$905	\$10,496	-	\$10,565	-	\$929	\$11,494	-
Local Assistance															
Appointments for Community Colleges	1,477,975	1,454	-	1,479,429	-	1,532,547	1,395	-	1,533,942	-	1,675,240	1,395	-	1,676,635	-
Earthquake Carryover (non-Prop 98) .....	-	-	-	-	-	62,937	22	-	62,937	-	66,265	-	-	66,265	-
Extended Opportunity Program .....	57,456	-	-	57,456	-	7,189	-	-	7,189	-	7,232	-	-	7,232	-
Student Financial Aid Administration .....	6,856	-	-	6,856	-	46,121	-	-	46,121	-	48,559	-	-	48,559	-
Disabled Students .....	39,997	-	-	39,997	-	60,700	-	-	60,700	-	63,909	-	-	63,909	-
Multicultural .....	47,803	-	-	47,803	-	452	-	-	452	-	452	-	-	452	-
Support for Academic Senate .....	452	-	-	452	-	1,859	-	-	1,859	-	1,859	-	-	1,859	-
Faculty and Staff Diversity .....	1,864	-	-	1,864	-	5,233	-	-	5,233	-	5,233	-	-	5,233	-
Faculty and Staff Development .....	5,233	-	-	5,233	-	1,630	-	-	1,630	-	1,630	-	-	1,630	-
Instructional Improvement .....	736	-	-	736	-	29,073	-	-	29,073	-	29,073	-	-	29,073	-
Economic Development .....	9,372	-	-	9,372	-	589	-	-	589	-	1,424	-	-	1,424	-
Transfer Education and Articulation .....	1,843	-	-	1,843	-	8,000	-	-	8,000	-	8,000	-	-	8,000	-
Underrep. Students/Vocational Training ..	220	-	-	220	-	-	-	-	-	-	-	-	-	-	-
Hazardous Substances .....	8,000	-	-	8,000	-	-	-	-	8,000	-	1,866	-	-	1,866	-
Foster Parent Training Programs .....	-	-	-	-	-	44,000	-	-	44,000	-	44,000	-	-	44,000	-
Instructional Equipment .....	15,000	-	-	15,000	-	18,000	-	-	18,000	-	28,000	-	-	28,000	-
Telecommunications & Technology .....	9,300	-	-	9,300	-	-	-	-	-	-	3,900	-	-	3,900	-
Virtual University .....	-	-	-	-	-	39,000	-	-	39,000	-	39,000	-	-	39,000	-
Scheduled Maintenance .....	39,000	-	-	39,000	-	500	-	-	500	-	500	-	-	500	-
Part-Time Faculty Health Insurance .....	500	-	-	500	-	11,418	-	-	11,418	-	11,418	-	-	11,418	-
Fund for Student Success .....	-	-	-	-	-	65,000	-	-	65,000	-	65,000	-	-	65,000	-
Welfare Reform .....	-	-	-	-	-	2,000	-	-	2,000	-	2,000	-	-	2,000	-
Part-Time Faculty Office Hours Program ..	-	-	-	-	-	1,691	-	-	1,691	-	1,691	-	-	1,691	-
State-Mandated Local Programs .....	3,431	-	-	3,431	-	1,937,939	1,417	-	1,939,356	-	2,106,251	1,395	-	2,107,646	-
Totals, Local Assistance .....	1,725,038	1,454	-	1,726,492	-	-	-	191,183	191,183	-	-	-	158,445	158,445	-
Capital Outlay .....	-	-	112,298	112,298	-	-	-	-	-	-	-	-	-	-	-
Totals, Bd of Governors of Calif Comm Col- leges .....	\$1,734,003	\$1,454	\$113,204	\$1,848,661	\$20	\$1,947,530	\$1,417	\$192,088	\$2,141,035	-	\$2,116,816	\$1,395	\$159,374	\$2,277,585	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996–97, 1997–98, AND 1998–99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
General Obligation Bonds-HI Ed-CC															
State Operations .....	\$64,593	-	-	\$64,593	-	\$70,259	-	-	\$70,259	-	\$73,752	-	-	\$73,752	-
Retirement Costs-HI Ed-CC															
Local Assistance .....	73,258	-	-	73,258	-	77,288	-	-	77,288	-	85,103	-	-	85,103	-
Totals, Higher Education-Community Colleges .....	\$1,871,854	\$1,454	\$113,204	\$1,986,512	\$20	\$2,095,077	\$1,417	\$192,088	\$2,288,582	-	\$2,275,671	\$1,395	\$159,374	\$2,436,440	-
Higher Education-UC, CSU and Other															
Cal Postsecondary Education Commission															
State Operations .....	\$2,570	-	-	\$2,570	\$257	\$2,847	-	-	\$2,847	\$331	\$2,847	-	-	\$2,847	\$324
Local Assistance .....	119	-	-	119	3,808	119	-	-	119	5,496	119	-	-	119	6,165
Totals, Cal Postsecondary Education Commission .....	\$2,689	-	-	\$2,689	\$4,065	\$2,966	-	-	\$2,966	\$5,827	\$2,966	-	-	\$2,966	\$6,489
University of California															
State Operations .....	\$2,057,257	\$20,169	\$5,050	\$2,082,476	\$3,642,968	\$2,180,801	\$99,905	-	\$2,280,706	\$3,718,830	\$2,355,823	\$39,251	-	\$2,395,074	\$3,793,030
Capital Outlay .....	-	-	129,134	129,134	-	-	-	219,248	219,248	-	-	-	151,043	151,043	-
Totals, University of California .....	\$2,057,257	\$20,169	\$134,184	\$2,211,610	\$3,642,968	\$2,180,801	\$99,905	\$219,248	\$2,499,954	\$3,718,830	\$2,355,823	\$39,251	\$151,043	\$2,546,117	\$3,793,030
Hastings College of the Low															
State Operations .....	\$12,280	-	-	\$12,280	-	\$12,274	-	-	\$12,274	-	\$13,236	-	-	\$13,236	-
Capital Outlay .....	-	-	693	693	-	-	-	8,732	8,732	-	-	-	-	-	-
Totals, Hastings College of the Low .....	\$12,280	-	\$693	\$12,973	-	\$12,274	-	\$8,732	\$21,006	-	\$13,236	-	-	\$13,236	-
California State University															
State Operations .....	\$1,810,062	\$627,329	\$6,639	\$2,444,030	\$319,052	\$1,897,176	\$619,275	-	\$2,516,451	\$328,721	\$2,060,090	\$614,275	-	\$2,674,365	\$328,721
Capital Outlay .....	-	-	169,441	169,441	-	-	-	157,252	157,252	-	-	-	150,000	150,000	-
Totals, California State University .....	\$1,810,062	\$627,329	\$176,080	\$2,613,471	\$319,052	\$1,897,176	\$619,275	\$157,252	\$2,673,703	\$328,721	\$2,060,090	\$614,275	\$150,000	\$2,824,365	\$328,721
Council for Private Postsecn & Voc Educ															
State Operations .....	-	\$4,031	-	\$4,031	\$974	-	\$2,353	-	\$2,353	\$499	-	-	-	-	-
Student Aid Commission															
State Operations .....	6,195	-	-	6,195	344,574	13,270	-	-	13,270	346,465	7,144	-	-	7,144	346,465
Local Assistance .....	257,670	-	-	257,670	5,203	281,425	-	-	281,425	8,136	312,758	-	-	312,758	3,759
Totals, Student Aid Commission .....	\$263,865	-	-	\$263,865	\$349,777	\$294,695	-	-	\$294,695	\$354,601	\$319,902	-	-	\$319,902	\$350,224
General Obligation Bonds-HI Ed															
State Operations .....	\$162,048	-	-	\$162,048	-	\$156,602	-	-	\$156,602	-	\$163,544	-	-	\$163,544	-
Totals, Higher Education-UC, CSU and Other .....	\$4,308,201	\$651,529	\$310,957	\$5,270,687	\$4,316,836	\$4,544,514	\$721,533	\$385,232	\$5,651,279	\$4,408,478	\$4,915,561	\$653,526	\$301,043	\$5,870,130	\$4,478,464
TOTALS, EDUCATION .....	\$26,073,477	\$704,230	\$1,166,513	\$27,944,220	\$7,077,432	\$29,092,257	\$789,540	\$740,536	\$30,622,333	\$7,758,812	\$30,713,657	\$714,062	\$2,417,432	\$33,845,151	\$7,916,417
State Operations .....	4,988,611	674,023	12,803	5,675,437	4,381,071	5,233,261	745,764	1,113	5,980,138	4,490,909	5,644,527	680,898	1,137	6,326,562	4,561,072
Local Assistance .....	21,084,866	30,207	742,144	21,857,217	2,696,361	23,858,996	43,776	163,008	24,065,780	3,267,903	25,069,130	33,164	1,956,807	27,059,101	3,355,345
Capital Outlay .....	-	-	411,566	411,566	-	-	-	576,415	576,415	-	-	-	459,488	459,488	-



## SCHEDULE 9—Continued

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds
<b>GENERAL GOVERNMENT</b>															
General Administration															
Office of Criminal Justice Planning															
State Operations	3,390	1,533	-	4,923	4,337	3,310	1,543	-	4,853	6,659	3,629	1,536	-	5,165	5,690
Local Assistance	35,051	15,996	-	51,047	81,445	32,715	16,546	-	49,261	125,801	32,963	16,246	-	49,209	113,348
Totals, Office of Criminal Justice Planning	\$38,441	\$17,529	-	\$55,970	\$85,782	\$36,025	\$18,089	-	\$54,114	\$132,460	\$36,592	\$17,782	-	\$54,374	\$119,038
Comm on Peace Officer Standards & Train															
State Operations	-	\$18,965	-	\$18,965	-	-	\$20,644	-	\$20,644	-	-	\$19,250	-	\$19,250	-
Local Assistance	-	15,250	-	15,250	-	-	20,781	-	20,781	-	-	28,502	-	28,502	-
Totals, Comm on Peace Officer Standards & Train	-	\$34,215	-	\$34,215	-	-	\$41,425	-	\$41,425	-	-	\$47,752	-	\$47,752	-
State Public Defender															
State Operations	\$8,553	-	-	\$8,553	-	\$10,076	-	-	\$10,076	-	\$11,233	-	-	\$11,233	-
Pay to Court for Cost of Homicide Trial	7,000	-	-	7,000	-	7,000	-	-	7,000	-	8,000	-	-	8,000	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
California Arts Council															
State Operations	1,877	102	-	1,979	614	1,954	210	-	2,164	618	2,560	206	-	2,766	-
Local Assistance	10,751	334	-	11,085	161	10,587	435	-	11,022	247	9,984	435	-	10,419	787
Totals, California Arts Council	\$12,628	\$436	-	\$13,064	\$775	\$12,541	\$645	-	\$13,186	\$865	\$12,544	\$641	-	\$13,185	\$787
Native American Heritage Commission															
State Operations	\$308	-	-	\$308	-	\$309	-	-	\$309	-	\$309	-	-	\$309	-
Agricultural Labor Relations Board															
State Operations	4,022	-	-	4,022	-	4,553	-	-	4,553	-	4,553	-	-	4,553	-
Public Employment Relations Board															
State Operations	4,064	-	-	4,064	-	4,288	-	-	4,288	-	4,288	-	-	4,288	-
Dept of Industrial Relations															
State Operations	135,270	38,055	-	173,325	23,586	137,688	40,882	-	178,570	24,025	144,392	42,670	-	187,062	26,393
Local Assistance	571	-	-	571	-	1,281	-	-	1,281	-	2,885	-	-	2,885	-
Totals, Dept of Industrial Relations	\$135,841	\$38,055	-	\$173,896	\$23,586	\$138,969	\$40,882	-	\$179,851	\$24,025	\$147,277	\$42,670	-	\$189,947	\$26,393
Department of Personnel Administration															
State Operations	\$5,356	-	-	\$5,356	\$70	\$5,444	-	-	\$5,444	-	\$5,444	-	-	\$5,444	-
CA Citizens Compensation Commission															
State Operations	4	-	-	4	-	25	-	-	25	-	25	-	-	25	-
Workers Compensation Benefits															
Subsequent Injuries															
State Operations	4,745	2,520	-	7,265	-	5,507	3,300	-	8,807	-	5,507	3,300	-	8,807	-
Disaster Service Workers															
Local Assistance	515	-	-	515	-	663	-	-	663	-	663	-	-	663	-
Totals, Workers Compensation Benefits	\$5,260	\$2,520	-	\$7,780	-	\$6,170	\$3,300	-	\$9,470	-	\$6,170	\$3,300	-	\$9,470	-
Board of Chiropractic Examiners															
State Operations	-	\$1,604	-	\$1,604	-	-	\$1,807	-	\$1,807	-	-	\$1,800	-	\$1,800	-
Osteopathic Medical Board of California															
State Operations	-	792	-	792	-	-	848	-	848	-	-	898	-	898	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97					Estimated 1997-98					Estimated 1998-99				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Board of Pilot Commissioners	-	1,061	-	1,061	-	-	-	-	1,350	-	-	1,180	-	1,180	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
California Horse Racing Board	-	7,269	-	7,269	-	-	-	-	7,607	-	-	7,607	-	7,607	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
California Exposition and Fairs	-	265	-	265	-	-	-	-	-	-	-	-	-	-	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Food and Agriculture	56,883	63,080	-	119,963	3,102	58,167	66,582	-	124,749	4,200	61,743	66,600	-	128,343	4,195
State Operations .....	5,370	41,925	-	47,295	-	5,398	48,133	-	53,531	-	5,398	47,274	-	52,672	-
Local Assistance .....	283	-	-	283	-	-	-	-	-	-	650	-	-	650	-
Capital Outlay .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Department of Food and Agriculture ..	\$62,536	\$105,005	-	\$167,541	\$3,102	\$63,565	\$114,715	-	\$178,280	\$4,200	\$67,791	\$113,874	-	\$181,665	\$4,195
Fair Political Practices Commission	\$5,124	-	-	\$5,124	-	\$5,954	-	-	\$5,954	-	\$6,050	-	-	\$6,050	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Political Reform Act of 1974	-	-	-	-	-	-	-	-	-	-	2,198	-	-	2,198	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Utilities Commission	-	67,557	-	67,557	988	-	68,354	-	68,354	988	-	68,212	-	68,212	988
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Board of Control	824	77,079	-	77,903	25,489	857	86,907	-	87,764	20,963	1,137	86,281	-	87,418	29,449
State Operations .....	1,142	15	-	1,157	-	534	1	-	535	-	-	-	-	-	-
Local Assistance .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Board of Control .....	\$1,966	\$77,094	-	\$79,060	\$25,489	\$1,391	\$86,908	-	\$88,299	\$20,963	\$1,137	\$86,281	-	\$87,418	\$29,449
Comm Local Governance for 21st Century	-	-	-	-	-	\$75	-	-	\$75	-	\$175	-	-	\$175	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Milton Marks "Little Hoover" Commission	697	-	-	697	-	697	-	-	697	-	697	-	-	697	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Membership in Interstate Organizations	1,409	-	-	1,409	-	1,631	-	-	1,631	-	1,601	-	-	1,601	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commission on the Status of Women	420	-	-	420	-	420	-	-	420	-	420	-	-	420	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
California Law Revision Commission	566	-	-	566	-	597	-	-	597	-	597	-	-	597	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commission on Uniform State Laws	117	-	-	117	-	117	-	-	117	-	126	-	-	126	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bureau of State Audits	9,106	58	-	9,164	-	9,105	-	-	9,105	-	10,242	-	-	10,242	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Finance	21,841	-	-	21,841	30	22,012	-	-	22,012	-	23,005	-	-	23,005	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commission on State Mondoles	1,273	-	-	1,273	-	1,007	-	-	1,007	-	1,116	-	-	1,116	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office of Administrative Law	1,921	-	-	1,921	-	2,013	-	-	2,013	-	2,013	-	-	2,013	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Military Department	19,537	37	-	19,574	33,563	19,270	150	-	19,420	30,083	22,892	150	-	23,042	31,553
State Operations .....	1,471	-	-	1,471	67,270	5,835	-	-	5,835	40,225	9,470	-	-	9,470	11,756
Capital Outlay .....	-	-	-	-	398,859	-	-	-	-	369,741	-	-	-	-	359,514
Unclassified .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Military Department .....	\$21,008	\$37	-	\$21,045	\$499,692	\$25,105	\$150	-	\$25,255	\$440,049	\$32,362	\$150	-	\$32,512	\$402,823

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Band Funds	Budget Total	Federal Funds
Department of Veterans Affairs															
Department of Veterans Affairs															
State Operations.....	\$1,716	\$23	-	\$1,739	-	\$2,078	\$25	-	\$2,103	-	\$2,691	\$25	-	\$2,716	-
Local Assistance.....	1,600	196	-	1,796	-	1,600	196	-	1,796	-	1,600	196	-	1,796	-
Capital Outlay.....	-	-	-	-	-	202	-	-	202	-	-	-	-	-	-
Totals, Department of Veterans Affairs.....	\$3,316	\$219	-	\$3,535	-	\$3,880	\$221	-	\$4,101	-	\$4,291	\$221	-	\$4,512	-
Veterans' Home of California-Yountville															
State Operations.....	\$23,464	-	-	\$23,464	\$9,674	\$25,249	-	-	\$25,249	\$10,324	\$31,516	-	-	\$31,516	\$10,329
Capital Outlay.....	4,401	-	-	4,401	6,640	57	-	-	57	246	-	-	-	-	-
Totals, Veterans' Home of California-Yountville.....	\$27,865	-	-	\$27,865	\$16,314	\$25,306	-	-	\$25,306	\$10,570	\$31,516	-	-	\$31,516	\$10,329
Veterans' Home of California-Barstow															
State Operations.....	\$8,514	-	-	\$8,514	\$1,494	\$9,944	-	-	\$9,944	\$3,322	\$10,199	-	-	\$10,199	\$3,322
Capital Outlay.....	-	-	-	-	391	-	-	-	-	28	-	-	-	-	-
Totals, Veterans' Home of California-Barstow.....	\$8,514	-	-	\$8,514	\$1,885	\$9,944	-	-	\$9,944	\$3,350	\$10,199	-	-	\$10,199	\$3,322
Veterans' Home of Calif-Chula Vista															
Capital Outlay.....	-	-	-	-	-	-	-	-	-	\$22,000	-	-	-	-	-
Totals, Department of Veterans Affairs.....	\$39,695	\$219	-	\$39,914	\$18,199	\$39,130	\$221	-	\$39,351	\$35,920	\$46,006	\$221	-	\$46,227	\$13,651
Vietnam Veterans Memorial Commission															
State Operations.....	-	\$2	-	\$2	-	-	-	-	-	-	-	-	-	-	-
Veterans Memorial Commission															
State Operations.....	-	91	-	91	-	380	533	-	913	-	-	-	-	-	-
General Obligation Bonds-Gen Govt															
State Operations.....	4,951	-	-	4,951	-	5,452	-	-	5,452	-	9,121	-	-	9,121	-
Totals, General Administration.....	\$394,107	\$353,809	-	\$747,916	\$657,713	\$404,051	\$386,834	-	\$790,885	\$659,470	\$441,092	\$392,368	-	\$833,460	\$597,324
Tax Relief															
Local Assistance															
Senior Citizens Property Tax Assistance.....	\$1,717	-	-	\$1,717	-	\$2,100	-	-	\$2,100	-	\$2,100	-	-	\$2,100	-
Senior Citizens Property Tax Deferral.....	16,000	-	-	16,000	-	16,500	-	-	16,500	-	16,500	-	-	16,500	-
Senior Citizens Renters Tax Assistance.....	13,134	-	-	13,134	-	14,500	-	-	14,500	-	14,500	-	-	14,500	-
Homeowners' Property Tax Relief.....	383,238	-	-	383,238	-	390,903	-	-	390,903	-	394,812	-	-	394,812	-
Subventions for Open Space.....	35,698	-	-	35,698	-	36,000	-	-	36,000	-	36,500	-	-	36,500	-
Renters' Tax Relief.....	1,117	-	-	1,117	-	-	-	-	-	-	-	-	-	-	-
Substandard Housing.....	370	-	-	370	-	370	-	-	370	-	14	-	-	14	-
State-Mandated Local Programs.....	241	-	-	241	-	952	-	-	952	-	1,016	-	-	1,016	-
Totals, Local Assistance.....	451,515	-	-	451,515	-	461,325	-	-	461,325	-	465,442	-	-	465,442	-
Totals, Tax Relief.....	\$451,515	-	-	\$451,515	-	\$461,325	-	-	\$461,325	-	\$465,442	-	-	\$465,442	-
Local Government Subventions															
Local Government Financing															
Local Assistance.....	\$159,399	-	\$12,510	\$171,909	-	\$165,866	-	\$290	\$166,156	-	\$112,713	-	-	\$112,713	-



SCHEDULE 9—Continued  
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND  
FISCAL YEARS 1996-97, 1997-98, AND 1998-99  
(Dollars in Thousands)

	Actual 1996-97					Estimated 1997-98					Estimated 1998-99				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Shared Revenue															
Apprtnmt-Hwy Properties Rental Receipt	-	3,576	-	3,576	-	-	-	-	-	-	-	-	-	-	-
Local Assistance.....	-	815	-	815	-	-	850	-	850	-	-	850	-	850	-
Apprtnmt-Off-Highway License Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-Fed Rcpts Flood Cont'l Lands	-	-	-	-	157	-	-	-	-	250	-	-	-	-	250
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-Fed Receipts-Forest Reserves	-	-	-	-	36,158	-	-	-	-	60,000	-	-	-	-	60,000
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-Fed Receipts-Grazing Land	-	-	-	-	100	-	-	-	-	150	-	-	-	-	150
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-Fed Potash Lease Rentals	-	-	-	-	2,001	-	-	-	-	3,500	-	-	-	-	3,500
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-Motor Vehicle License Fees	-	2,503,946	-	2,503,946	-	-	2,599,640	-	2,599,640	-	-	2,719,326	-	2,719,326	-
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-Tideland Revenues	129	-	-	129	-	250	-	-	250	-	250	-	-	250	-
Local Assistance.....	-	299,145	-	299,145	-	-	305,383	-	305,383	-	-	314,770	-	314,770	-
Apprtnmt-MV Fuel Tax-County Roads	-	221,319	-	221,319	-	-	229,107	-	229,107	-	-	237,110	-	237,110	-
Local Assistance.....	-	134,031	-	134,031	-	-	135,908	-	135,908	-	-	139,456	-	139,456	-
Apprtnmt-MV Fuel Tax-City Streets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-MV Fuel Tax-Ca Rds & City Sts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-MV Fuel Tax-Clt-St&Hwy Purp	-	310,012	-	310,012	-	-	324,332	-	324,332	-	-	334,160	-	334,160	-
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apprtnmt-Geothermal Resources Develop	-	3,467	-	3,467	-	-	3,200	-	3,200	-	-	3,200	-	3,200	-
Local Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Shared Revenue.....	\$129	\$3,476,311	-	\$3,476,440	\$38,416	\$250	\$3,598,420	-	\$3,598,670	\$63,900	\$250	\$3,748,872	-	\$3,749,122	\$63,900
Totals, Local Government Subventions .....	\$159,528	\$3,476,311	\$12,510	\$3,648,349	\$38,416	\$166,116	\$3,598,420	\$290	\$3,764,826	\$63,900	\$112,963	\$3,748,872	-	\$3,861,835	\$63,900
Debt Service															
Payment of Interest on PMIA Loans															
State Operations .....	\$8,262	-	-	\$8,262	-	\$8,000	-	-	\$8,000	-	\$8,000	-	-	\$8,000	-
Payment of Interest on Gen Fund Loans															
State Operations .....	118,627	-	-	118,627	-	133,740	-	-	133,740	-	195,000	-	-	195,000	-
Interest Payments to the Federal Govt															
State Operations .....	-	369	-	369	-	4,900	501	-	5,401	-	4,900	501	-	5,401	-
Totals, Debt Service .....	\$126,889	\$369	-	\$127,258	-	\$146,640	\$501	-	\$147,141	-	\$207,900	\$501	-	\$208,401	-
Statewide Expenditures															
Health & Dental Benefits for Annuitants															
State Operations .....	\$265,799	-	-	\$265,799	-	\$278,710	-	-	\$278,710	-	\$302,297	-	-	\$302,297	-
Eqy Ctm Bd Control, Stmnts by Justice															
State Operations .....	3,771	2,960	13	6,744	29	26,230	1,383	112	27,725	35	1,201	-	-	1,201	-
Federal Levy of State Funds															
Unclassified.....	687	-	-	687	-	-	-	-	-	-	-	-	-	-	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99						
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Augmentation for Contingencies or Emerg	-	-	-	-	-	2,000	1,500	-	3,500	-	2,000	1,500	-	3,500	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Capital Outlay	200	-	-	200	-	50	-	-	50	-	744	-	-	744	-
Reserve of Liquidation for Encumbrances	5,821	-	-	5,821	-	-	-	-	-	-	-	-	-	-	-
Unclassified .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Statewide Proposition 98 Reconciliation	205,897	-	-	205,897	-	-287,157	-	-	-287,157	-	-58,304	-	-	-58,304	-
Local Assistance .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PERS General Fund Payment	478,267	-	-	478,267	-	1,059,968	-	-	1,059,968	-	478,196	-	-	478,196	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infra Tech Century Chge & After Prcmnts	-	-	-	-	-	10,150	5,351	-	15,501	-	-	-	-	-	-
Statewide Gen. Adm Exp (Pia Rata)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations .....	-149,404	2,404	-	-147,000	-	-128,504	2,766	-	-125,738	-	-149,509	2,562	-	-146,947	-
Various Departments	11,000	-	-	11,000	-	-	-	-	-	-	1,200	-	-	1,200	-
State Operations .....	-	2,598	-	2,598	-	-	4,817	-	4,817	-	-	4,885	-	4,885	-
Local Assistance .....	-	-	-	-	-	-	-	-	-	-	10,000	-	-	10,000	-
Capital Outlay .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Various Departments.....	\$11,000	\$2,598	-	\$13,598	-	-	\$4,817	-	\$4,817	-	\$11,200	\$4,885	-	\$16,085	-
Totals, Statewide Expenditures.....	\$822,038	\$7,962	\$13	\$830,013	\$29	\$961,447	\$15,817	\$112	\$977,376	\$35	\$587,825	\$8,947	-	\$596,772	-
Augmentation for Employee Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Augmentation for Employee Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Augmentation for Employee Compensation .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Statewide Savings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Fund Credits from Federal Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations .....	-\$30,975	-	-	-\$30,975	-	-\$32,223	-	-	-\$32,223	-	-\$37,397	-	-	-\$37,397	-
PERS Deferral .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations .....	-\$40,636	-	-	-\$40,636	-	-	-	-	-	-	-168,196	-	-	-168,196	-
PERS Surplus Asset Savings .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations .....	-\$2,364	-	-	-\$2,364	-	-13,871	-	-	-13,871	-	-	-	-	-	-
Estimated Unidentifiable Savings .....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations .....	-	-	-	-	-	-10,000	-	-	-10,000	-	-10,000	-	-	-10,000	-
Local Assistance .....	-	-	-	-	-	-30,000	-	-	-30,000	-	-40,000	-	-	-40,000	-
Totals, Estimated Unidentifiable Savings .....	-	-	-	-	-	-\$40,000	-	-	-\$40,000	-	-\$50,000	-	-	-\$50,000	-
Totals, Statewide Savings .....	-\$723,975	-	-	-\$723,975	-	-\$86,094	-	-	-\$86,094	-	-\$255,593	-	-	-\$255,593	-

**SCHEDULE 9—Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND**  
**FISCAL YEARS 1996-97, 1997-98, AND 1998-99**  
**(Dollars in Thousands)**

	Actual 1996-97				Estimated 1997-98				Estimated 1998-99			
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds
Adjustment to Reconcile to Controller												
Adjustment to Reconcile to Controller												
Unclassified.....	\$3,456	-	-	\$3,456	-	-	-	-	-	-	-	-
Totals, Adjustment to Reconcile to Controller.....	\$3,456	-	-	\$3,456	-	-	-	-	-	-	-	-
<b>TOTALS, GENERAL GOVERNMENT.....</b>	<b>\$1,233,558</b>	<b>\$3,838,451</b>	<b>\$12,523</b>	<b>\$5,084,532</b>	<b>\$696,158</b>	<b>\$2,053,485</b>	<b>\$4,001,572</b>	<b>\$402</b>	<b>\$6,055,459</b>	<b>\$723,405</b>	<b>\$1,702,111</b>	<b>\$4,218,938</b>
State Operations.....	\$338,299	\$285,826	\$13	\$624,138	\$102,976	\$1,677,279	\$312,243	\$112	\$1,989,634	\$101,217	\$1,139,653	\$372,528
Local Assistance.....	878,940	3,552,625	12,510	4,444,075	120,022	370,062	3,689,329	290	4,059,681	189,948	541,594	3,846,410
Capital Outlay.....	6,355	-	-	6,355	74,301	6,144	-	-	6,144	62,499	20,864	-
Unclassified.....	9,964	-	-	9,964	398,859	-	-	-	-	369,741	-	-
<b>GRAND TOTAL.....</b>	<b>49,088,111</b>	<b>13,261,724</b>	<b>2,173,405</b>	<b>64,523,240</b>	<b>31,385,254</b>	<b>53,021,773</b>	<b>14,382,957</b>	<b>2,531,497</b>	<b>69,936,227</b>	<b>33,739,978</b>	<b>55,415,987</b>	<b>15,150,122</b>
State Operations.....	12,153,246	5,553,537	217,477	17,924,260	6,847,663	14,008,089	6,159,342	247,901	20,415,332	7,149,363	14,351,927	6,384,843
Local Assistance.....	36,862,821	7,092,042	1,061,711	45,016,574	23,205,740	38,923,215	7,696,157	619,845	47,239,217	25,180,821	40,902,298	7,923,687
Capital Outlay.....	62,080	588,736	894,217	1,545,033	932,992	90,469	499,501	1,663,751	2,253,721	1,040,053	161,762	813,076
Unclassified.....	9,964	27,409	-	37,373	398,859	-	27,957	-	27,957	369,741	-	28,516
<b>BUDGET ACT TOTALS.....</b>	<b>34,754,774</b>	<b>6,082,398</b>	<b>451,693</b>	<b>41,288,865</b>	<b>25,982,938</b>	<b>36,880,411</b>	<b>6,918,495</b>	<b>797,318</b>	<b>44,596,224</b>	<b>28,133,388</b>	<b>39,983,681</b>	<b>7,078,713</b>
State Operations.....	10,781,994	5,014,355	25,888	15,822,237	2,352,635	11,327,677	5,542,843	123,577	16,994,097	2,410,933	12,302,690	5,737,837
Local Assistance.....	23,920,425	810,869	20,957	24,752,251	23,072,159	25,512,508	937,129	92,176	26,541,813	24,971,674	27,529,284	915,663
Capital Outlay.....	46,534	257,174	404,848	708,556	558,144	40,226	438,523	581,565	1,060,314	750,781	151,707	425,213
Unclassified.....	5,821	-	-	5,821	-	-	-	-	-	-	-	-
<b>STATUTORY APPROPRIATIONS.....</b>	<b>12,110,874</b>	<b>6,747,298</b>	<b>1,644,264</b>	<b>20,502,436</b>	<b>201,160</b>	<b>12,778,599</b>	<b>7,065,102</b>	<b>1,525,595</b>	<b>21,369,296</b>	<b>466,627</b>	<b>13,038,381</b>	<b>7,445,026</b>
State Operations.....	-57,281	526,413	181,437	650,569	106,909	-38,118	553,146	121,695	636,723	350,514	-23,132	643,578
Local Assistance.....	12,168,155	6,193,373	1,019,077	19,380,605	93,860	12,816,717	6,483,761	490,407	19,790,885	94,085	13,061,513	6,772,932
Capital Outlay.....	-	103	443,750	443,853	391	-	238	913,493	913,731	22,028	-	-
Unclassified.....	-	27,409	-	27,409	-	-	27,957	-	27,957	-	-	28,516
<b>CONSTITUTIONAL APPROPRIATIONS.....</b>	<b>1,919,376</b>	<b>-</b>	<b>-</b>	<b>1,919,376</b>	<b>-</b>	<b>1,888,469</b>	<b>-</b>	<b>-</b>	<b>1,888,469</b>	<b>-</b>	<b>2,011,029</b>	<b>-</b>
State Operations.....	1,919,376	-	-	1,919,376	-	1,888,469	-	-	1,888,469	-	2,011,029	-
<b>OTHER APPROPRIATIONS.....</b>	<b>303,087</b>	<b>432,028</b>	<b>77,448</b>	<b>812,563</b>	<b>5,201,156</b>	<b>1,474,294</b>	<b>399,360</b>	<b>208,584</b>	<b>2,082,238</b>	<b>5,139,963</b>	<b>382,896</b>	<b>626,383</b>
State Operations.....	-490,843	12,769	10,152	-467,922	4,388,119	830,061	63,353	2,629	896,043	4,387,916	61,340	3,428
Local Assistance.....	774,241	87,800	21,677	883,718	39,721	593,990	275,267	37,262	906,519	115,062	311,501	235,092
Capital Outlay.....	15,546	331,459	45,619	392,624	374,457	50,243	60,740	168,693	279,676	267,244	10,055	387,863
Unclassified.....	4,143	-	-	4,143	398,859	-	-	-	-	369,741	-	-



**SCHEDULE 10**  
**SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1996, 1997, 1998 AND 1999**  
(Dollars in Thousands)

Fund	Reserves June 30, 1996	Actual Income 1996-97	Actual Expenditures 1996-97	Reserves June 30, 1997	Estimated Income 1997-98	Estimated Expenditures 1997-98	Reserves June 30, 1998	Estimated Income 1998-99	Estimated Expenditures 1998-99	Reserves June 30, 1999
<b>General Fund</b>	<b>774,343</b>	<b>49,219,769</b>	<b>49,088,107</b>	<b>906,005</b>	<b>52,889,554</b>	<b>53,021,777</b>	<b>773,782</b>	<b>55,383,129</b>	<b>55,415,987</b>	<b>740,924</b>
<b>SPECIAL FUNDS</b>										
Property Acquisition Low Money Account.....	1,444	4,188	3,313	2,319	5,011	5,466	1,864	3,996	5,410	450
Motor Vehicle Parking Facility Monies Acct.....	568	3,588	4,691	-535	6,289	5,754	-	5,767	5,767	-
Breast Cancer Fund.....	2,897	67	67	3,477	-3,371	106	-	101	101	-
Access for Handicapped Account.....	1,022	2,289	1,614	1,697	2,010	1,831	1,876	1,838	1,838	1,910
Breast Cancer Research Account.....	8,641	18,112	16,455	10,298	19,693	18,358	11,633	17,757	18,300	11,090
Boxers Pension Account.....	-	31	31	-	75	75	-	75	75	-
Breast Cancer Control Account.....	12,532	17,880	17,058	13,354	19,460	26,806	6,008	17,524	22,739	793
Hazardous Materials Enforce Train Acct.....	20	2	-	22	2	-	24	2	-	26
Attorney General Antitrust Account.....	2,042	38	1,041	1,039	30	1,048	21	3,630	1,050	2,601
Federal Receipts Acct, HWCA.....	1,125	2,153	2,908	370	1,732	2,060	42	1,427	1,330	139
Hazardous Waste Control Account.....	16,210	55,164	54,866	16,508	50,128	54,444	12,192	21,273	28,506	4,959
Firearms Safety Training Fund Special Ac.....	-24	582	558	-	768	703	65	768	716	117
Subsequent Injuries Monies Account.....	294	2,444	2,520	218	3,300	3,300	218	3,300	3,300	218
Fingerprint Fees Account.....	1,377	26,585	24,155	3,807	36,559	38,336	2,030	37,140	32,146	7,024
Site Remediation Account.....	-	-	-	-	-	-	-	6,750	6,750	-
Trustline Voluntary Registration Fund.....	101	95	92	104	208	312	-	-	-	-
Low Library Special Account, Calif-State.....	163	481	431	213	500	544	169	500	544	125
Emergency Telephone Number Acct, State.....	22,911	81,595	66,047	38,459	83,200	74,207	47,452	83,200	80,199	50,453
Form Labor Contractors Special Account.....	405	34	-	439	30	27	442	30	27	445
Guide Dogs for the Blind Fund.....	22	82	61	43	90	52	81	102	93	90
Leaking Underground Storage Tank Cost Recovery..	13,980	6,441	8,085	12,336	1,000	8,091	5,245	600	5,530	315
Motor Vehicle Insurance Account, State.....	1,458	20,247	13,580	8,125	19,714	18,597	9,242	20,000	20,787	8,455
Tox Relief and Refund Account.....	-	57	128	-128	-	173	-301	-	-	-301
Unified Program Account.....	1	57	55	3	2,379	2,047	335	1,436	1,090	681
Nuclear Planning Assessment Special Ac.....	829	2,750	2,561	1,018	2,340	3,326	32	3,286	3,318	-
Energy Conservation Assistance Ac, State.....	6,467	552	67	6,952	572	6,708	816	526	526	816
Geothermal Resources Development Ac- count.....	-	6,067	6,067	-	5,600	5,600	-	5,600	5,600	-
Surface Mining and Reclamation Account.....	589	2,033	1,431	1,191	2,025	2,401	815	2,025	2,401	439
Special Account for Capital Outlay.....	1,118	-1,118	-	-	-	-	-	-	-	-
Aeronautics Account SIF.....	3,513	7,802	7,727	3,588	7,775	8,191	3,172	7,825	8,174	2,823
Highway Account, State, SIF.....	873,293	2,434,886	2,197,936	1,110,243	2,467,129	2,387,583	1,189,789	2,442,879	2,776,654	856,014
Motor Vehicle Account, SIF.....	19,471	1,142,617	1,136,656	25,432	1,188,646	1,152,549	61,529	1,189,729	1,175,860	75,398
Bicycle Lane Account, SIF.....	670	471	459	682	470	470	682	470	1,010	142
Public Transportation Account, SIF.....	29,614	179,268	198,925	9,957	223,342	228,756	4,543	242,113	219,848	26,808
Propose Safety Insp/Enforce Prog Trust.....	-	32	-	32	-32	-	-	-	-	-
Local Airport Loan Account.....	8,205	1,271	-1,365	10,841	1,300	2,850	9,291	1,300	2,850	7,741
New Motor Vehicle Board Account.....	723	1,498	1,252	969	1,539	1,507	1,001	1,552	1,520	1,033
Seismic Safety Retrofit Account SIF.....	135	684	-	684	-	-	684	-	-	684
Rail Accident Prevention & Response Fund.....	1,276	29	-	164	-164	-	-	-	-	-
Hazardous Spill Prevention Acct, RAPRF.....	216,685	275	1,049	502	563	563	103	-100	-	3
Motor Vehicle Fuel Account.....	-	42,453	44,316	214,822	49,276	47,776	216,322	49,631	47,630	218,323
Highway Users Tax Account, TIF.....	-	965,325	965,325	-	995,548	995,548	-	1,026,314	1,026,314	-
Motor Vehicle License Fee Account, TIF.....	-	2,681,056	2,681,056	-	2,807,670	2,807,670	-	2,948,525	2,948,525	-
Illegal Drug Lab Cleanup Account.....	-	2,718	2,718	-	-	-	-	-	-	-
Sole of Tobacco to Minors Control Acct.....	1,699	187	60	1,826	160	49	1,937	160	215	1,882
Corporations Fund, State.....	19,669	37,187	30,337	26,519	39,731	36,296	29,954	29,380	36,722	22,612
Borbering/Cosmetology Fd, St Bd of.....	5,772	8,972	7,735	7,009	8,650	8,679	6,980	8,973	8,967	6,986
Occupational Lead Poisoning Prev Acct, GF.....	3,444	2,323	2,126	3,641	2,448	2,656	3,433	2,497	3,351	2,579
Yosemite Foundation Acct, ELPT.....	-	553	553	-	456	456	-	456	456	-
Medical Waste Management Fund.....	789	781	822	748	1,134	1,058	824	969	1,138	655
Radiation Control Fund.....	13,396	11,829	9,782	15,443	12,179	13,366	14,256	11,767	12,854	13,169
Tissue Bank License Fund.....	88	136	92	132	140	99	173	155	164	164
Graphic Design License Plate Account.....	250	498	435	313	494	645	162	641	641	62
Industrial Medicine Fund.....	3,120	1,330	1,254	3,196	1,171	1,704	2,663	1,171	1,685	2,149

**SCHEDULE 10—Continued**  
**SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1996, 1997, 1998 AND 1999**  
(Dollars in Thousands)

Fund	Reserves June 30, 1996	Actual Income 1996-97	Actual Expenditures 1996-97	Reserves June 30, 1997	Estimated Income 1997-98	Estimated Expenditures 1997-98	Reserves June 30, 1998	Estimated Income 1998-99	Estimated Expenditures 1998-99	Reserves June 30, 1999
Childhood Lead Poisoning Prevention Fund.....	7,346	12,742	543	19,545	12,933	13,948	18,530	12,933	20,155	11,308
Alcohol Beverage Control Fund.....	5,500	27,213	27,922	4,791	29,449	32,552	1,688	33,849	33,642	1,895
Export Document Program Fund.....	96	202	178	120	426	417	129	485	421	193
Veterans Service Office Fund.....	4	241	219	26	241	221	46	241	221	66
Bank and Corporation Tax Fund.....	-	-	4	-4	-	4	-8	-	-	-8
Personal Income Tax Fund.....	-	-	40	-40	-	-	-41	-	-	-41
Rodan Contractor Certification Fund.....	52	2	4	50	-50	-	-	-	-	-
Construction Management Education Acct.....	55	38	-	93	30	15	108	30	15	123
Retail Sales Tax Fund.....	-	-	4	-4	-	67	-71	-	-	-71
Cal- OSHA Targeted Inspection & Consult.....	1,722	7,097	5,626	3,193	6,800	6,154	3,839	6,800	6,370	4,269
Clinical Laboratory Improvement Fund.....	21	4,417	4,033	405	5,401	5,806	-	6,193	6,067	126
Health Statistics Special Fund.....	1,781	12,809	9,999	4,591	12,635	13,497	3,729	13,468	13,444	3,253
Used Oil Recycling Fund, California.....	29,182	22,398	18,860	32,720	23,658	24,784	31,594	23,408	24,578	30,424
Fire Marshal Licensing & Cert Fund, St.....	641	1,665	1,791	515	1,657	1,721	451	1,657	1,797	311
Oil Refinery & Chem Plant Safety Fd, Cal.....	36	-33	3	-	-	-	-	-	-	-
Pesticide Regulation Fund, Dept of.....	14,723	36,445	33,231	17,937	26,218	31,133	13,022	26,474	31,556	7,940
Acupuncture Fund.....	1,612	1,306	1,108	1,692	1,208	1,201	1,699	1,140	1,364	1,475
Agriculture Acct., AG Fund.....	31,126	78,788	81,108	28,806	84,080	85,957	26,929	83,557	85,159	25,327
Agricultural Pest Control Research Acct.....	50	3	-	53	3	-	56	3	-	59
Missing Children Reward Fund.....	22	-	-	22	-	2	20	-	2	18
Air Pollution Control Fund.....	3,458	9,299	9,407	3,350	9,365	10,332	2,383	9,454	9,474	2,363
Wine Safety Fund.....	99	181	178	102	159	192	69	159	189	39
Alcoholic Beverage Control Appeals Fund.....	903	535	610	828	578	663	743	578	727	594
Registered Veterinary Techn Exam Comm Fd.....	38	128	95	71	119	106	84	-84	-	-
Hospital Building Fund.....	2,463	18,189	16,374	4,278	18,000	18,235	4,043	18,000	18,188	3,855
Rural Economic Development Fund.....	816	214	951	79	183	255	7	90	83	14
Agricultural Export Promotion Acct., CA.....	33	363	358	38	305	300	43	305	300	48
Audit Fund, State.....	1,155	-	58	1,097	-	-	1,097	-	139	1,097
Water Device Certification Special Acct.....	1	192	52	141	170	61	250	175	286	286
Foster and Small Family Insurance Fund.....	808	-	407	401	-	-	401	-	-	401
Workers' Compensation Managed Care Fund.....	581	52	173	460	-239	221	-	222	222	-
Beverage Container Recycling Fund, CA.....	86,719	319,432	313,795	92,356	322,235	319,896	94,695	319,620	302,799	111,516
Banking Fund, State.....	4,931	14,447	14,214	5,164	-5,164	-	-	-	-	-
Vital Record Improvement Acct(Abol 1/97).....	2,057	-2,057	-	-	-1,989	-	-	-	-	-
Commercial Motor Carrier Safety Enfrnt Fd.....	2,063	823	897	1,989	1,800	1,675	1,610	1,800	1,675	1,735
Driving-Under-the-Influence Prog Lic Trs.....	1,022	1,764	1,301	1,485	1,800	18,448	2,158	23,887	24,105	1,940
Environmental License Plate Fund, Calif.....	1,286	16,924	22,338	-4,128	24,734	1,157	203	1,045	998	250
Soil Conservation Fund.....	106	1,043	996	153	1,207	1,548	436	1,621	1,556	501
Justice Sexual Habitual Offender, Dept of.....	339	1,610	1,586	363	1,621	1,548	5,359	11,585	11,328	5,616
Health Doto & Planning Fund, CA.....	3,856	11,457	10,413	4,900	11,585	11,126	1,297	255	-199	1,751
Water Fund, California.....	1,630	12,647	11,854	2,423	10,792	11,918	105	106	106	105
Commerce Marketing Fund.....	71	93	59	105	106	106	105	106	106	105
Chiropractic Examiners Fund.....	1,948	1,951	1,604	2,295	1,951	1,807	2,439	1,951	1,800	2,590
Travel Seller Fund.....	251	733	607	377	716	749	344	716	396	664
Trial Court Improvement Fund.....	-	-	-	-	17,800	17,800	-	40,585	40,585	-
Assembly and Senate, Operating Funds Of.....	21	-	-	21	-	-	21	-	-	21
Continuing Care Provider Fee Fund.....	402	499	435	466	435	629	272	435	635	72
Certification Acct., Consumer Affairs Fd.....	205	319	510	14	576	571	19	626	574	71
Delinquent Tax Collection Fund.....	-	-	-87	87	-	-	87	-	-	87
Structural Pest Control Research Fund.....	379	110	50	439	97	92	444	93	93	444
Debt Limit Allocation Committee Fund, Co.....	1,988	710	409	2,289	653	415	2,527	660	507	2,680
Corrections Training Fund.....	21	10,224	9,861	384	10,361	10,163	582	10,361	10,361	582
Cal Debt & Investment Advisory Comm Fund.....	1,015	2,231	1,817	1,909	1,782	1,610	2,081	1,282	1,588	1,775
Developmental Disabilities Prog Dev Fund.....	245	1,867	1,817	295	2,160	2,133	322	2,310	2,383	249
Competitive Technology Fund.....	4,987	196	3,323	1,860	120	1,619	361	26	387	-
Dispensing Opticians Fund.....	311	161	142	330	213	264	279	227	280	226
Delta Flood Protection Fund.....	7,318	9,336	8,848	7,806	211	3,066	4,951	211	5,107	55



**SCHEDULE 10—Continued**  
**SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1996, 1997, 1998 AND 1999**  
(Dollars in Thousands)

Fund	Reserves June 30, 1996	Actual Income 1996-97	Actual Expenditures 1996-97	Reserves June 30, 1997	Estimated Income 1997-98	Estimated Expenditures 1997-98	Reserves June 30, 1998	Estimated Income 1998-99	Estimated Expenditures 1998-99	Reserves June 30, 1999
Food Safety Fund .....	856	2,068	2,027	897	2,340	2,227	1,010	2,580	2,874	716
Driver Training Penalty Assessment Fund .....	-	989	947	42	1,094	1,093	43	993	993	43
Environmental Laboratory Improvement Fnd. ....	1,376	2,335	2,192	1,519	2,390	2,251	1,658	2,441	2,407	1,692
Registered Nurse Education Fund .....	412	671	609	474	672	636	510	672	736	446
Environmnt Enhanc & Mltigat Dema Prgm Fd. ....	4,471	11,093	10,306	5,258	6,828	10,490	1,596	10,000	10,117	1,479
Employment Developmnt Dept Benefit Au- dit .....	6,692	7,713	12,405	2,000	10,446	12,274	172	9,677	8,905	944
Employment Development Contingent Fund .....	4,751	29,369	33,120	1,000	35,991	35,991	1,000	37,315	37,315	1,000
Foir and Exposition Fund .....	-1,323	25,036	23,456	257	23,490	23,082	665	23,254	23,038	881
Satellite Wogering Account .....	6,759	13,050	7,617	5,212	13,113	12,984	5,341	12,529	12,984	4,886
Waste Discharge Permit Fund .....	7	12,195	14,067	4,887	10,754	12,113	3,528	13,754	15,731	1,551
Emerg Medical Svcs Irng Prag Approval Fd. ....	407	1,252	14	7	11	8	10	11	14	7
Fire and Arson Training Fund, Calif. ....	20,140	74,891	75,603	19,428	82,581	87,408	461	1,422	1,386	497
Fish and Game Preservation Fund .....	9,869	53,519	41,194	22,194	55,031	60,463	14,601	82,155	79,137	17,619
Genetic Disease Testing Fund .....	722	684	580	826	639	802	663	672	912	423
Geology and Geophysics Fund .....	1,843	2,317	1,933	2,227	1,509	1,500	2,236	1,509	1,516	2,229
Fish and Wildlife Pollution Account .....	235	546	586	195	528	581	142	531	436	237
Hearing Aid Dispensers Fund .....	991	1,325	953	1,363	1,325	903	1,785	1,325	2,125	985
Hazardous Liquid Pipeline Safety Calif. ....	101	9	21	89	53	27	115	5	26	94
Outpatient Setting Fd at Medical Board .....	2,635	-58	-	2,577	142	200	2,519	142	200	2,461
Waterfowl Habitat Preservation Acct, Cal. ....	126	5	-	131	6	-	137	6	-	143
Native Species Conserv & Enhancement Acct .....	25,835	87,183	77,094	35,924	61,480	89,909	7,495	115,480	91,279	31,696
Restitution Fund .....	1,084	375	272	1,187	312	431	1,068	312	447	933
Industrial Rel Construction Enforce Fd. ....	73	-	8	65	33	50	48	33	50	31
Insurance Fund .....	2,300	134,528	121,155	15,673	121,651	119,182	18,142	122,630	122,316	18,456
Lifetime License Trust Acct, Fish & Game .....	265	21	-	286	37	-	323	37	-	360
Workplace Health & Safety Revolving Fund. ....	1,688	1,101	1,043	1,726	946	920	1,752	946	944	1,754
Workers' Camp Administration Revolv Fund. ....	5,111	16,210	17,912	3,409	17,922	18,375	2,956	17,922	18,869	2,009
Food Safety Acct, Pesticide Reg Fd, Dept. ....	1,822	1,530	2,195	1,157	1,081	2,009	229	2,012	1,996	245
Environmental Protection Trust Fund .....	714	1,449	1,425	738	1,432	1,600	570	1,370	1,600	340
Tire Recycling Management Fund, Calif. ....	6,803	4,853	5,452	6,204	5,023	8,299	2,928	4,581	4,622	2,887
Law-Level Radioactive Waste Disposal Fnd. ....	1,060	310	747	623	1,260	1,855	28	1,260	1,185	103
Business Fees Fund, Secty of State's .....	-	21,286	21,286	-	23,419	23,419	-	19,188	19,188	-
Dry Cleaning Fund .....	21	12	33	-	-	-	-	-	-	-
Cigarette & Tobacco Products Surtax Fund. ....	-	949	949	-	1,263	1,263	-	1,214	1,214	-
Health Ed Acct, Cig & Tab Pr Surtax .....	120,092	101,556	109,879	111,769	93,492	159,342	45,919	91,168	101,814	35,273
Hospital Svc Acct, Cig & Tab Pr Surtax .....	23,092	121,428	130,042	14,478	121,836	127,539	8,775	121,352	127,524	2,603
Physician Svc Acct, Cig & Tab Pr Surtax .....	2,691	23,435	21,779	4,347	18,267	19,884	2,730	17,561	19,885	406
Research Acct, Cig & Tab Pr Surtax .....	50,419	26,949	8,330	69,038	23,472	84,558	7,659	22,770	23,108	7,614
Public Res Acct, Cig & Tab Pr Surtax .....	8,218	19,445	19,875	7,788	22,815	23,994	6,609	22,458	23,397	5,670
Unallocated Acct, Cig & Tab Pr Surtax .....	13,410	102,253	82,781	32,882	89,913	110,179	12,616	91,149	101,690	2,075
Private Security Services Fund .....	968	5,392	5,733	627	5,423	5,878	172	5,491	5,339	324
Local Agency Deposit Security Fund .....	48	118	103	63	233	265	31	372	341	62
Loc Pub Prosecutors & Pub Defenders Irng. ....	274	866	792	348	866	1,094	120	866	794	192
Court Collection Account .....	57	3,100	2,850	307	5,600	5,600	307	5,700	5,700	307
Narcotic Treatment Program Licensing Ir. ....	190	844	923	111	1,096	1,041	166	1,096	1,041	307
Environmental Water Fund .....	702	7,064	6,750	1,016	8,470	9,000	486	-	-	486
Mablehame Park Revolving Fund .....	22	3,659	3,677	4	3,755	3,617	142	3,555	3,604	93
OES Disaster Admin Suppt Acct(Abal7/1/97). ....	3,998	68	4,066	-	-	-	-	-	-	-
Public Fac&lac Ag Dis Res Ac(Abal7/1/97). ....	2,286	8,361	10,647	-	-	-	-	-	-	-
Domestic Violence Fund .....	101	745	10,647	846	700	500	1,046	700	565	1,181
Street and Highway Account (Abal 7/1/97). ....	860	-328	532	-	-	-	-	-	-	-
Justice DNA Testing Fund, Department of. ....	77	1	-	11	1	-	12	1	-	13
Sexual Predator Public Information Acct .....	10	34	111	-	116	116	-	59	53	6
Earthquake Emergency Invest Acct-NDA Fd. ....	98	-	-	98	-	-	98	-	-	98
Nursing Home Admin St Lic Exam Bd Fund. ....	146	422	366	202	383	451	134	405	452	87
Off-Highway License Fee Fund .....	483	815	815	483	850	850	483	850	850	483



**SCHEDULE 10—Continued**  
**SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1996, 1997, 1998 AND 1999**  
(Dollars in Thousands)

Fund	Reserves June 30, 1996	Actual Income 1996-97	Actual Expenditures 1996-97	Reserves June 30, 1997	Estimated Income 1997-98	Estimated Expenditures 1997-98	Reserves June 30, 1998	Estimated Income 1998-99	Estimated Expenditures 1998-99	Reserves June 30, 1999
Habitat Conservation Fund.....	22,564	25,618	27,322	20,860	28,806	42,589	7,077	30,000	30,000	7,077
Off-Highway Vehicle Trust Fund.....	19,080	33,608	32,508	20,180	31,679	46,512	5,347	32,748	37,578	517
Osteopathic Medical Bd of Calif Canfin Fd..	754	1,054	793	1,015	917	848	1,084	1,071	898	1,257
Inland Wetlands Cans Fd. Wildlife Rest.....	792	303	103	992	436	-	1,428	136	-	1,564
Exposition Park Improvement Fund.....	263	2,258	1,599	922	2,250	2,170	1,002	2,250	2,170	1,082
Peace Officers Training Fund.....	10,828	37,998	34,215	14,611	34,334	41,425	7,520	46,294	47,752	6,062
Glass Processing Fee Account.....	4,395	31,378	29,071	6,702	31,442	30,875	7,269	47,622	30,432	24,459
Technical Assistance Fund.....	-	1,263	479	784	1,289	809	1,264	1,289	868	1,685
Certification Fund.....	209	751	349	611	568	605	574	568	666	476
Infant Botulism Treatment & Prevention.....	-	127	43	84	600	678	6	1,283	1,284	5
Long Term Management Strategy Comple- tion.....	-	101	65	36	114	150	-	-	-	-
Business Reinvestment Fund.....	2,000	2,000	742	3,258	2,000	796	4,462	2,000	371	6,091
Hazardous & Idle-Deserted Well Abate Fnd..	33	69	59	43	63	55	51	63	55	59
Biometal Processing Fee Acct, Bev Cant Re...	13	19	17	15	19	20	14	27	20	21
PET Processing Fee Acct, Bev Cant Rec Fd..	-	12,086	11,691	395	11,683	11,997	81	12,586	6,457	6,210
Child Health and Safety Fund.....	482	664	-	1,146	763	984	925	763	990	698
Physician Assistant Fund.....	1,103	791	716	1,178	724	765	1,137	857	800	1,194
Recycling Market Development Rev Loan...	5,749	6,258	-258	12,265	6,613	7,101	11,777	7,046	6,310	12,513
Bay Protection and Toxic Cleanup Fund.....	1,375	2,589	2,224	1,740	120	1,860	-	-	-	-
Loss Control Certification Fund.....	1,921	500	677	1,744	132	738	-	800	803	1,135
Residential Earthquake Recovery Fund, CA..	6,267	138	1,125	5,280	116	800	4,596	99	800	3,895
Lake Tahoe Conservancy Account.....	-	245	19	226	280	130	376	280	211	445
State HICAP Fund.....	-	1,134	-	1,134	862	998	998	862	998	862
Pilot Commissioners' Special Fd. Board.....	270	1,132	1,061	341	1,217	1,350	208	1,210	1,180	238
Motor Carriers Permit Fund.....	-	10,001	6,261	3,740	11,234	10,147	4,827	2,999	4,419	3,407
Maternal Safety Improvement Fund.....	-	478	-	478	2,554	1,510	1,522	546	1,468	600
Padiatric Medicine Fund, Board of.....	57	959	873	143	829	965	7	1,153	1,004	156
Caochello Valley Mauntains Conservancy...	-	-	-	-	70	70	-	130	70	60
Financial Institutions Fund.....	-	-	-	-	19,784	15,877	3,907	14,197	16,528	1,576
Credit Union Fund.....	-	-	-	-	2,972	2,135	837	2,425	2,325	937
Professional Forester Registration Fund.....	208	175	151	232	149	170	211	149	170	190
Private Postsecondary Education Admin Fund..	3,967	5,380	4,031	5,316	4,647	4,706	5,257	4,448	4,723	4,982
Safe Drinking Water Account.....	2,251	7,124	6,638	2,737	7,062	8,135	1,664	7,256	8,146	774
Earthquake Risk Reduction Fund of 1996.....	-	1,000	-	1,000	-	1,000	-	1,000	1,000	-
Perinatal Insurance Fund.....	778	42,300	40,888	2,190	39,550	39,740	2,000	34,662	34,655	2,007
Psychology Fund.....	787	3,072	2,682	1,177	3,188	2,760	1,605	3,210	2,779	2,036
Traumatic Brain Injury Fund.....	104	500	500	104	500	500	104	500	500	104
Emergency Medical Services Personnel Fnd..	34	702	701	35	775	766	44	775	780	39
Major Risk Medical Insurance Fund.....	4,651	32,000	33,533	3,118	40,800	40,918	3,000	40,800	40,800	3,000
Diesel Emission Reduction Fund.....	283	16	206	93	270	306	57	1,040	1,006	91
Real Estate Commislaner's Fund.....	3,858	27,746	23,599	8,005	29,111	26,480	10,636	29,473	28,318	11,791
Callins-Dugan Calif Conserv Corps Reimb.....	-	25,258	25,258	-	25,937	25,937	-	27,992	27,992	-
Respiratory Core Fund.....	211	1,745	1,919	37	1,837	1,874	-	2,168	1,731	437
Oil Spill Prevention & Administration Fd.....	5,388	20,984	21,158	5,214	23,826	21,634	7,406	20,249	25,811	1,844
Oil Spill Response Trust Fund.....	52,102	5,508	9,555	48,075	5,500	3,793	49,782	5,500	1,488	53,794
Environmental Enhancement Fund.....	59	12	-	71	167	100	138	167	100	205
Commodity Merchant Account.....	25	-25	-	-	-	-	-	-	-	-
Telephonic Seller Commodity Contract Acc.....	11	-11	-	-	-	-	-	-	-	-
Electronic and Appliance Repair Fund.....	129	1,564	1,687	6	1,375	1,381	-	1,987	1,409	578
Court Interpreters' Fund.....	296	100	-	396	100	248	-	100	256	92
Pub Sch Ping Design & Constr Rev Revlv Fd..	4,707	12,740	10,434	7,013	12,826	11,204	8,635	12,205	11,283	9,557
Vehicle License Collection Acct, LRF.....	-	14,000	14,000	-	14,000	14,000	-	14,000	14,000	-
Local Revenue Fund.....	-	397	397	-	397	397	-	397	397	-
Vehicle License Fee Account.....	-	811,653	811,653	-	850,561	850,561	-	894,247	894,247	-
Vehicle License Fee Growth Account.....	-	38,908	38,908	-	43,686	43,686	-	44,847	44,847	-
Reg Environmental Health Specialist Fd.....	85	213	164	134	229	164	-	288	247	240
Mine Reclamation Account.....	723	1,063	1,156	630	1,005	1,137	498	986	1,244	240

**SCHEDULE 10—Continued**  
**SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1996, 1997, 1998 AND 1999**  
(Dollars in Thousands)

Fund	Reserves June 30, 1996	Actual Income 1996-97	Actual Expenditures 1996-97	Reserves June 30, 1997	Estimated Income 1997-98	Estimated Expenditures 1997-98	Reserves June 30, 1998	Estimated Income 1998-99	Estimated Expenditures 1998-99	Reserves June 30, 1999
Savings Association Spec Fund.....	577	33	116	494	-494	-	-	-	-	-
Seismic Hazards Identification Fund.....	386	1,168	754	800	1,345	1,076	1,069	1,550	1,826	793
School Fund, State.....	-	9,692	9,692	-	9,298	9,298	-	9,298	9,298	-
School Building Safety Fund.....	-	20	20	-	10	10	-	4	4	-
Schaal Land Bank Fund.....	13,941	3,072	10	17,003	6,810	-	23,813	1,332	-	25,145
Senato Operating Fund.....	308	-	-	308	-	-	308	-	-	308
In-Home Supportive Service Reg Model, STA.....	180	-	-	180	-	-	180	-180	-	-
Mental Health Subaccount, Sales Tax Acct.,.....	-	767,326	767,326	-	780,977	780,977	-	817,849	817,849	-
Social Services Subaccount, Sales Tax Acct.,.....	-	557,975	557,975	-	604,844	604,844	-	609,918	609,918	-
Health Subaccount, Sales Tax Account.....	-	283,201	283,201	-	304,358	304,358	-	356,035	356,035	-
Coselood Subacct., Sales Tax Growth Acct.,.....	-	45,028	45,028	-	-	-	-	-	-	-
Indigent Health Equity Sub., Sales Tax Grwt.,.....	-	1,648	1,648	-	4,542	4,542	-	4,151	4,151	-
Community Health Equity Sub., Sales Tax Grwt.,.....	-	4,035	4,035	-	11,123	11,123	-	10,165	10,165	-
Mental Health Equity Sub., Sales Tax Growth.,.....	-	1,304	1,304	-	3,595	3,595	-	3,285	3,285	-
Store Hospital Mental Health Equity, STGA.....	-	2,314	2,314	-	6,381	6,381	-	5,831	5,831	-
Co Medical Svc Subacct Sales Tax Growth.,.....	-	3,289	3,289	-	3,770	3,770	-	3,242	3,242	-
Mandates Claims Fund, State.....	461	-	-	461	-	-	461	-	-	461
General Growth Subacct, Sales Tax Growth.,.....	-	21,362	21,362	-	58,898	58,898	-	53,826	53,826	-
Special Equity Subaccount, STGA.....	-	2,697	2,697	-	5,314	5,314	-	-	-	-
Asbestos Consultant Certification Acct.....	136	180	316	-	326	326	-	326	324	2
Asbestos Training Approval Account.....	92	-	28	64	206	237	33	206	237	2
Disaster Relief Fund.....	36,838	-16,081	-	20,757	-	10,221	10,536	-	7,000	3,536
Speech-Longuage Pathology & Audiology.....	685	130	338	477	76	301	252	703	343	612
Higher Education Earthquake Account 1,987.....	257	-	235	22	-	22	-	-	-	-
Attorney General False Claims Act Fund.....	-	-	-	-	2,735	2,735	-	2,925	2,911	14
Dental Auxiliary Fund, State.....	1,170	1,082	1,123	1,129	1,099	1,055	1,173	1,183	1,204	1,152
Public Interest RD&D.....	-	-	-	-	37,606	25,750	11,856	58,517	63,670	6,703
Renewable Resource Trust Fund.....	-	-	-	-	66,316	45,733	20,583	100,725	121,308	-
Natural Resources Infrastructure Fund.....	-	-	-	-	8,698	8,698	-	28,586	28,586	-
Solomon & Steelhead Trout Restoration Acc.,.....	-	-	-	-	3,000	3,000	-	8,000	8,000	-
Solid Waste Disposal Site Cleanup Tr Fd.....	2,061	5,443	5,069	2,435	2,662	4,962	135	5,458	5,041	552
Integrated Waste Management Acct.....	3,992	35,902	36,524	3,370	37,203	36,063	4,510	34,348	36,332	2,526
Parks and Rec Acct, St. Parks & Rec Fd.....	2,151	81,655	80,881	2,925	79,870	81,110	1,685	82,522	883	883
Job Creation Investment Fund.....	-	-	-	-	256	-4,537	4,793	173	2,900	2,066
Fines & Forfeitures Acct, Parks & Rec Fd.....	5	-	-	5	-	-	5	-	-	5
Self-insurance Plans Fund.....	1,592	1,698	2,159	1,131	2,525	2,832	824	2,525	2,856	493
Strong Motion Instrumentation Spec Fund.....	839	2,832	2,033	1,638	3,550	2,740	2,448	4,050	2,740	3,758
Structural Pest Cntrl Educ & Enforcement Fd.....	190	243	200	233	211	268	176	211	270	117
Real Estate Appraisers Regulation Fund.....	6,460	4,934	3,756	7,638	2,136	3,821	5,953	986	4,155	2,784
Tox Preparers Fund.....	612	87	647	52	-52	-	-	-	-	-
Teacher Credentials Fund.....	1,182	14,387	12,721	2,848	15,268	13,400	4,716	15,835	16,143	4,408
Test Development and Admin Acct, Ic Fd.....	327	7,807	6,569	1,565	6,467	6,516	1,516	6,267	7,210	573
Transcript Reimbursement Fund.....	76	204	147	133	307	325	115	307	329	93
Transportation Rate Fund.....	15,201	-108	6,675	8,418	-6,404	1,807	207	1,850	1,807	250
Vehicle Inspection and Repair Fund.....	7,280	91,134	98,085	329	98,525	98,219	635	103,831	101,894	2,572
Victim Witness Assistance Fund.....	135	17,514	16,737	912	16,633	16,995	550	16,542	16,988	104
Local Jurisdiction Energy Assistance.....	4,533	444	831	4,146	554	2,282	2,418	548	298	2,668
Air Toxics Inventory and Assessment Acct.....	105	1,946	2,026	25	2,265	2,257	33	1,486	1,478	41
Underground Storage Tank Tester Account.....	49	35	21	63	46	51	58	29	51	36
Assistance for Fire Equipment Acct, State.....	258	20	-	278	100	100	278	100	100	278
Underground Storage Tank Cleanup Fund.....	106,143	150,657	154,185	102,615	178,000	245,486	35,129	182,000	207,197	9,932
Petro Undergrnd Storage Tank Financ Acct.....	11,651	5,474	9,551	7,574	13,688	18,366	2,896	9,871	9,799	2,968
Olympic Training Account, California.....	22	-11	-	11	-10	-	1	-	-	1
Wildlife Restoration Fund.....	2,330	1,434	1,785	1,979	2,066	2,491	1,554	5,879	6,631	802
Occupancy Compliance Monitoring Ac- count.....	-	8,082	469	7,613	2,431	472	9,572	2,529	563	11,538
Winter Recreation Fund.....	41	110	140	11	150	150	11	175	175	11
Seismic Gas Valve Cart Fee Acct.....	-2	-	-	-2	79	77	-	77	77	-



**SCHEDULE 10—Continued**  
**SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1996, 1997, 1998 AND 1999**  
(Dollars in Thousands)

Fund	Reserves June 30, 1996	Actual Income 1996-97	Actual Expenditures 1996-97	Reserves June 30, 1997	Estimated Income 1997-98	Estimated Expenditures 1997-98	Reserves June 30, 1998	Estimated Income 1998-99	Estimated Expenditures 1998-99	Reserves June 30, 1999
Elevator Safety Account.....	3,124	6,928	5,947	4,105	6,928	6,023	5,010	6,928	6,868	5,070
Pressure Vessel Account.....	-612	3,534	2,896	26	3,400	3,225	201	3,400	3,365	236
Hazardous Substance Subaccount.....	521	1,343	9	1,855	1,000	1,868	987	1,000	999	988
Expedited Site Remediation Trust Fund.....	1,855	453	-	2,308	582	700	2,190	540	1,260	1,470
Tax Credit Allocation Fee Account.....	17,028	-3,193	1,356	12,479	2,828	1,242	14,065	2,949	1,300	15,714
Site Operation and Maintenance Account.....	2,070	50	1	2,119	50	3	2,166	50	3	2,213
Dealers' Record of Sale Acct.....	1,278	6,780	6,223	1,835	6,580	7,026	1,389	6,580	7,246	723
Public Util Comm Transpnt Reimb Acct.....	4,674	7,129	8,478	3,325	6,429	7,191	2,563	6,229	6,739	2,053
Publ Utilities Comm Utilities Reimb Acct.....	8,388	55,384	47,683	16,089	52,034	54,611	13,512	52,002	54,909	10,605
Energy Resources Programs Account.....	199	43,019	43,261	-43	43,504	43,046	415	43,938	42,128	2,225
Vietnam Veterans Memorial Account.....	42	2	2	42	2	-	44	2	-	46
Underground Storage Tank Fund.....	2,898	404	234	3,068	88	716	2,440	75	435	2,080
Child Care Facilities Revolving Fund.....	-	-	-	-	-	-	-	2,500	2,500	-
Gaming Registration License Fee Acct.....	281	732	967	46	1,114	1,160	-	-	-	-
Masquiborne Disease Surveillance Acct.....	72	42	24	90	48	26	112	58	29	141
Energy Tech Research, Dev, & Dema Acct.....	1,673	430	-6	2,109	401	1,847	663	391	983	71
Garment Manufacturers Special Account.....	386	107	17	476	130	50	556	130	50	636
Surface Impoundment Assessment Account.....	911	20	-	931	20	-	951	20	-	971
Hazardous Subst' Clearing Account.....	3,538	11,848	10,997	4,389	5,241	6,151	3,479	2,480	5,959	-
Army Discretionary Improvement Account.....	67	28	37	58	150	150	58	150	150	58
Emergency Clean Water Grant Fund.....	271	1	-	272	-	-	272	-	-	272
Financial Responsibility Penalty Account.....	428	-231	-	197	-197	-	-	-	-	-
Veterans Memorial Account.....	374	189	93	470	67	537	-	-	-	-
Rice Straw Demonstration Project Fund.....	-	-	-	-	-200	-200	200	-	200	-
Boxer's Neurological Examination Account.....	121	130	226	25	100	100	25	98	92	31
Developmental Disabilities Services Acct.....	90	5	20	75	5	30	50	4	30	24
Local Govt Geothermal Resource Subacct.....	4,951	2,780	2,206	5,525	2,550	5,727	2,348	2,550	4,793	105
Higher Education Fees and Income-CSU.....	-	627,095	627,095	-	619,275	619,275	-	614,275	614,275	-
Title Insurance Fund.....	-	-	-	-	280	280	-	250	250	4,390
Toxics Substances Control Account.....	-	-	-	-	-	-	-	29,599	25,209	-
Farm & Ranch Solid Waste Cleanup & Abate	-	-	-	-	-	-	-	555	555	-
Child Abuse Fund, DOJ.....	-	-	-	-	-	-	-	334	334	-
Gambling Control Fund.....	-	-	-	-	-	-	-	4,797	4,797	-
Gambling Control Fines & Penalties Acct.....	-	-	-	-	-	-	-	1	1	-
High Polluter Repair or Removal Account.....	-	-	-	-	-	-	-	63,000	67,062	2,406
Family Law Trust Fund.....	-	-	-	-	6,468	-	6,468	1,419	1,419	-
Coastal Access Account, SCCF of 1976.....	-	-	-	-	710	710	-	500	225	500
Accountancy Fund.....	9,660	8,052	7,664	10,048	6,122	9,608	225	7,992	9,498	5,056
Architectural Examiners Fd, St Bd of.....	2,409	2,061	2,480	1,990	2,936	2,863	6,562	2,096	2,967	1,192
Cemetery Fund.....	425	3,444	2,930	939	595	986	548	703	1,003	248
Contractors License Fund.....	15,355	44,080	39,967	19,488	32,223	41,049	10,642	38,908	41,911	7,639
Dentistry Fund, State.....	1,207	5,215	5,306	1,116	5,338	5,588	866	6,850	5,677	2,039
Funeral Directors and Embalmers Fund, St.....	150	982	971	161	958	855	264	958	804	418
Home Furnish & Thermal Insulat Fd, Burea.....	836	2,989	3,329	496	3,223	2,889	830	3,386	3,209	1,007
Licensed Midwifery Fund.....	5	11	7	9	19	18	10	-10	-	-
Landscape Architects Fd, CA Bd/Arch Exam.	455	546	461	540	524	517	547	560	572	535
Contingent Fd of the Medical Board of CA.....	5,010	31,441	31,393	5,058	32,122	31,733	5,447	32,138	32,601	4,984
Physical Therapy Fund.....	495	1,391	1,493	393	1,883	2,047	229	1,907	1,778	358
Registered Nursing Fund, Board of.....	8,660	12,575	11,621	9,614	12,227	11,630	10,211	12,417	12,189	10,439
Optometry Fund, State.....	680	1,130	1,055	755	1,471	1,003	1,223	1,062	1,042	1,243
Pharmacy Board Contingent Fund.....	2,961	7,431	4,890	5,502	5,677	6,581	4,598	7,194	5,625	6,167
Private Investigator Fund.....	597	733	721	609	781	615	775	794	572	997
Professional Engineer & Land Surveyor Fd.....	3,004	6,472	6,375	3,101	7,281	6,655	3,727	5,780	6,918	2,589
Caurl Reporters Fund.....	293	750	542	501	552	524	529	598	530	597
Behavioral Science Examiners Fund.....	1,036	6,187	4,513	2,710	6,026	4,169	4,567	6,500	4,037	7,030
Structural Pest Control Fund.....	2,957	3,037	3,020	2,974	2,537	3,175	2,336	2,768	3,156	1,948
Veterinary Medical Board Contingent Fund.....	430	1,433	1,185	678	1,187	1,186	679	1,678	1,347	1,010
Vocational Nurse Examiners Fund.....	355	3,349	3,080	624	3,205	3,026	803	3,343	3,381	765



**SCHEDULE 10—Continued**  
**SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1996, 1997, 1998 AND 1999**  
(Dollars in Thousands)

Fund	Reserves June 30, 1996	Actual Income 1996-97	Actual Expenditures 1996-97	Reserves June 30, 1997	Estimated Income 1997-98	Estimated Expenditures 1997-98	Reserves June 30, 1998	Estimated Income 1998-99	Estimated Expenditures 1998-99	Reserves June 30, 1999
Psychiatric Technicians Account .....	9	929	800	138	933	896	175	937	978	134
<b>OTHER UNALLOCATED SPECIAL FUNDS</b>										
Major Revenues .....	-	-	-	-	-	-	-	29,660	-	29,660
State Controller .....	-	-	207	-207	-	200	-407	-	181	-588
Interest Payments to the Federal Govt .....	-	-	-	-	-	1	-1	-	1	-2
Augmentation for Employee Compensation .....	-	-	-	-	-	-	-	-	68,250	-68,250
Augmentation for Contingencies or Emerg .....	-	-	-	-	-	1,500	-1,500	-	1,500	-3,000
Info Tech Century Chge & Alter Procmtnts .....	-	-	-	-	-	5,351	-5,351	-	-	-5,351
<b>TOTALS, SPECIAL FUNDS .....</b>	<b>\$2,354,039</b>	<b>\$13,611,554</b>	<b>\$13,262,112</b>	<b>\$2,703,481</b>	<b>\$14,158,572</b>	<b>\$14,382,370</b>	<b>\$2,479,683</b>	<b>\$14,720,415</b>	<b>\$15,150,122</b>	<b>\$2,049,976</b>
<b>GRAND TOTALS .....</b>	<b>\$3,128,382</b>	<b>\$62,831,323</b>	<b>\$62,350,219</b>	<b>\$3,609,486</b>	<b>\$67,048,126</b>	<b>\$67,404,147</b>	<b>\$3,253,465</b>	<b>\$70,103,544</b>	<b>\$70,566,109</b>	<b>\$2,790,900</b>

**STATEMENT OF GENERAL OBLIGATION BOND AND COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA**  
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities  
that are not general obligations of the State of California)

**General Obligation Bonds**

Fund	Maturity	Sales through December 31, 1997			Redeemed	Proposed Sales		Commercial Paper	
		Authorized	Unissued	Outstanding		after December 31, 1997	1998-99	Finance Cmfe	Through December 31, 1997
								Authorization	Total
								Outstanding	
<b>BUSINESS, TRANSP &amp; HOUSING</b>									
0788	Ca Earthquake Safe & Haus Rehab (1988)	\$150,000	-	\$95,520	\$54,480	-	-	-	-
0703	Clean Air & Transp Improv (1990)	1,990,000	\$785,720	1,020,290	183,990	\$100,000	-	\$161,420	\$40,830
0513	First-Time Homebuyers (1982)	15,000	-	-	15,000	-	-	-	-
0714	Housing & Homeless (1988)	300,000	-	118,620	181,380	-	-	-	-
0714	Housing & Homeless (1990)	150,000	-	84,720	65,280	-	-	-	-
0756	Passenger Rail & Clean Air (1990)	1,000,000	107,900	691,275	200,825	50,000	\$50,000	107,900	28,771
0653	Seismic Retrofit (1996)	2,000,000	1,649,995	348,325	1,680	425,000	500,000	501,995	151,304
	Total, Business, Transp & Housing	\$5,605,000	\$2,543,615	\$2,358,750	\$702,635	\$575,000	\$550,000	\$771,315	\$220,905
<b>NATURAL RESOURCES</b>									
0722	Ca Park & Recreational Facil (1984)	\$370,000	\$1,100	\$227,125	\$141,775	-	-	-	-
0721	Ca Parklands (1980)	285,000	-	78,710	206,290	-	-	-	-
0707	Ca Safe Drinking Water (1976)	175,000	2,500	75,870	96,630	-	\$2,500	-	-
0707	Ca Safe Drinking Water (1984)	75,000	-	46,320	28,680	-	-	-	-
0707	Ca Safe Drinking Water (1986)	100,000	8,000	73,875	18,125	-	-	-	-
0793	Ca Safe Drinking Water (1988)	75,000	18,265	47,750	8,985	-	10,000	\$11,265	\$5,065
0786	Ca Wildlife, Coast, & Park Land Cons (1988)	776,000	39,980	564,335	171,685	-	4,000	-	-
0734	Clean Water (1970)	250,000	-	7,000	243,000	-	-	-	-
0734	Clean Water (1974)	250,000	-	13,820	236,180	-	-	-	-
0740	Clean Water (1984)	325,000	-	136,635	188,365	-	-	-	-
0716	Community Parklands (1986)	100,000	-	68,040	31,960	-	-	-	-
0748	Fish & Wildlife Habitat Enhance (1984)	85,000	3,500	47,690	33,810	-	-	-	-
0720	Lake Tahoe Acquisitions (1982)	85,000	-	51,120	33,880	-	-	-	-
0402	Safe, Clean, Reliable Water (1996)	995,000	945,000	50,000	-	\$25,000	200,000	92,000	11,841
0733	State Beach, Park, Recrt & Hstl Facil (1974)	250,000	-	3,850	246,150	-	-	-	-
0742	State, Urban & Coastal Park (1976)	280,000	2,450	24,225	253,325	-	-	-	-
0744	Water Cans & Water Quality (1986)	150,000	47,000	77,430	25,570	-	-	-	-
0790	Water Cans (1988)	60,000	23,935	31,065	5,000	-	10,000	20,935	6,154
	Total, Natural Resources	\$4,686,000	\$1,091,730	\$1,624,860	\$1,969,410	\$25,000	\$226,500	\$124,200	\$23,060
<b>ENVIRONMENTAL PROTECTION</b>									
0737	Clean Water & Water Cans (1978)	\$375,000	\$4,150	\$96,070	\$274,780	-	-	-	-
0764	Clean Water & Water Reclam (1988)	65,000	12,505	45,085	7,410	-	-	\$12,505	\$2,765
0710	Hazardous Substance Cleanup (1984)	100,000	-	44,600	55,400	-	-	-	-
	Total, Environmental Quality	\$540,000	\$16,655	\$185,755	\$337,590	-	-	\$12,505	\$2,765
<b>HEALTH AND WELFARE</b>									
0729	Senior Center (1984)	\$50,000	-	\$22,250	\$27,750	-	-	-	-
	Total, Health & Welfare	\$50,000	-	\$22,250	\$27,750	-	-	-	-
<b>YOUTH AND ADULT CORRECTIONAL</b>									
0711	Ca Carl Facil Cap Expend (1986)	\$495,000	\$2,000	\$339,225	\$153,775	-	\$2,000	-	-
0796	Ca Carl Facil Cap Expend & Yth Facil (1988)	500,000	25,000	362,245	112,755	-	15,000	\$25,000	\$8,848
0725	Ca Jail Cap Expend (1981)	280,000	-	123,525	156,475	-	-	-	-
0727	Ca Jail Cap Expend (1984)	250,000	-	122,000	128,000	-	-	-	-
0723	New Prison Construction (1981)	495,000	-	175,250	319,750	-	-	-	-
0724	New Prison Construction (1984)	300,000	-	122,500	177,500	-	-	-	-
0746	New Prison Construction (1986)	500,000	1,500	324,200	174,300	-	1,500	-	-

**Schedule 11—Continued**  
**STATEMENT OF GENERAL OBLIGATION BOND AND COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA**  
**(Dollars in Thousands)**

(This statement does not include bonds issued under authority of state instrumentalities  
that are not general obligations of the State of California)

Fund	Maturity	General Obligation Bonds				Proposed Sales		Commercial Paper	
		Sole through December 31, 1997		Outstanding	Redeemed	after December 31, 1997	1998-99	Finance Cmte	Total
		Authorized	Unissued						
0747 New Prison Construction (1988)	1991-2026	817,000	16,000	564,460	236,540	-	-	7,600	-
0751 New Prison Construction (1990)	1991-2026	450,000	40,100	305,650	104,250	-	20,000	40,100	8,658
Total, Youth & Adult Correctional.....		\$4,087,000	\$84,600	\$2,439,055	\$1,563,345	-	\$38,500	\$72,700	\$17,506
<b>EDUCATION—K-12</b>									
0794 Ca Library Constr & Renov (1988)	1991-2026	575,000	38,625	\$52,965	\$13,410	-	-	\$6,725	\$4,428
0657 Public Education Facil (1996)	1997-2027	2,025,000	1,072,735	938,860	13,405	\$600,000	\$250,000	1,072,735	522,121
0739 School Bldg & Earthquake (1974) <sup>2</sup>	1997-2026	40,000	-	38,665	1,335	-	-	-	-
0789 School Facilities (1988)	1990-2011	800,000	-	526,680	273,320	-	-	-	-
0708 School Facilities (1990)	1992-2026	800,000	55,000	588,145	156,855	-	15,000	55,000	2,836
0745 School Facilities (1992)	1993-2024	1,900,000	65,000	1,602,110	232,890	-	35,000	65,000	1,700
0743 State Sch Bldg Lease-Purch (1982)	1984-2005	500,000	-	145,175	354,825	-	-	-	-
0743 State Sch Bldg Lease-Purch (1984)	1987-2011	450,000	-	237,500	212,500	-	-	-	-
0743 State Sch Bldg Lease-Purch (1986)	1990-2011	800,000	-	506,800	293,200	-	-	-	-
0776 1988 School Facil Band Act (Nav)	1991-2024	800,000	45,000	522,385	232,615	-	-	45,000	1,200
0774 1990 School Facil Band Act (Jun)	1991-2025	800,000	34,745	565,575	199,680	-	30,000	34,745	7,140
0765 1992 School Facil Band Act (Nav)	1994-2024	900,000	65,094	761,686	73,220	-	45,000	65,094	3,000
Total, Education—K-12.....		\$9,890,000	\$1,346,199	\$6,486,546	\$2,057,255	\$600,000	\$375,000	\$1,344,299	\$542,425
<b>HIGHER EDUCATION</b>									
0782 Higher Education Facil (1986)	1989-2011	400,000	-	\$243,500	\$156,500	-	-	-	-
0785 Higher Education Facil (1988)	1990-2026	600,000	\$11,705	410,020	178,275	-	-	\$4,705	\$733
0791 Higher Education Facil (Jun 1990)	1991-2026	450,000	21,500	316,215	112,285	-	\$15,000	14,500	7,283
0705 Higher Education Facil (Jun 1992)	1993-2026	900,000	106,120	751,735	42,145	-	20,000	59,420	32,382
0658 Public Education Facil (1996)	1997-2026	975,000	964,770	9,890	340	\$175,000	200,000	180,070	77,665
Total, Higher Education.....		\$3,325,000	\$1,104,095	\$1,731,360	\$489,545	\$175,000	\$235,000	\$258,695	\$118,063
<b>GENERAL GOVERNMENT</b>									
0768 Earthquake Safety & Public Bldg Rehab (1990)	1991-2020	300,000	\$250,000	\$40,900	\$9,100	\$25,000	\$75,000	\$84,000	\$25,231
Total, General Government.....		300,000	\$250,000	\$40,900	\$9,100	\$25,000	\$75,000	\$84,000	\$25,231
Total, All Agencies.....		\$28,483,000	\$6,436,894	\$14,889,476	\$7,156,630	\$1,400,000	\$1,500,000	\$2,667,714	\$949,955
<b>PARTIALLY SELF-LIQUIDATING BONDS</b>									
State School Building Aid Bonds <sup>3</sup>	1955-2001	\$460,000	-	\$7,500	\$452,500	-	-	-	-
<b>SELF-LIQUIDATING BONDS<sup>4</sup></b>									
Ca Water Resources Dev (1959)	1973-2024	\$1,750,000	\$167,600	\$956,525	\$625,875	-	na <sup>7</sup>	-	-
Harbor Development (1958) <sup>5</sup>	1964-1998	60,000	-	285	59,715	-	-	-	-
Veterans Bonds <sup>6</sup>	1958-2027	5,610,000	314,370	2,823,000	2,472,630	na <sup>7</sup>	na <sup>7</sup>	-	-
Total, Partially & Self-Liquidating Bonds.....		\$7,880,000	\$481,970	\$3,787,310	\$3,610,720	-	-	-	-
<b>TOTAL</b> .....		<b>\$36,363,000</b>	<b>\$6,918,864</b>	<b>\$18,676,786</b>	<b>\$10,767,350</b>	<b>\$1,400,000</b>	<b>\$1,500,000</b>	<b>\$2,667,714</b>	<b>\$949,955</b>

<sup>1</sup> Amount authorized was reduced from \$200 million to \$15 million, pursuant to Chapter 116, Statutes of 1993.

<sup>2</sup> The partially self-liquidating State School Building Aid Bond of 1974 was repealed and reenacted as a general obligation bond pursuant to Chapter 552, Statutes of 1995. Chapter 1, Statutes of 1996, expanded the purposes for which the \$40 million unissued 1974 bond could be sold and included seismic safety upgrades in schools.

<sup>3</sup> The state school building aid bonds debt service payments are partially refinanced with funds of the borrowing school districts over a 30- to 40-year repayment period as prescribed by statutes. The total authorized amount has been reduced by \$40 million which is now authorized as the School Building Aid and Earthquake Reconstruction and Replacement Bond Law of 1974. See footnote 2 for further detail.

<sup>4</sup> The California Water Resource Development Bond Act, the San Francisco Harbor Improvement Acts, and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.

<sup>5</sup> The Harbor Development Bond Law of 1958 includes an authorization of \$50 million for San Francisco harbor development and \$10 million for the development of small craft harbors as provided by Chapter 103, Statutes of 1958, First Extraordinary Session.

<sup>6</sup> Includes \$340 million in bonds expected to be issued in December 1997.

<sup>7</sup> Amount not available as of December 31, 1997.

<sup>8</sup> Includes estimated borrowings to be provided to departments for the month of December in the amount of \$209 million. As of December 3, 1997, the outstanding amount was \$741 million.



**Schedule 12-A**  
**STATE APPROPRIATIONS LIMIT SUMMARY**  
(Dollars in Millions)

	1996-97			1997-98			1998-99		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
<b>Schedule 8:</b>									
Revenues and Transfers .....	\$49,220	\$13,611	\$62,831	\$52,890	\$14,158	\$67,048	\$55,383	\$14,721	\$70,104
Less/Add: Transfers .....	-71	-32	-103	-149	65	-84	-7	-73	-66
<b>Schedule 12-B:</b>									
Less: Revenues to Excluded Funds.....	-	-3,394	-3,394	-	-3,603	-3,603	-	-3,756	-3,756
<b>Schedule 12-C:</b>									
Less: Non-Tax Revenues to Included Funds.....	-911	-276	-1,187	-620	-324	-944	-399	-344	-743
<b>Schedule 12-D:</b>									
Add: SAL Transfers .....	15	5	20	26	3	29	17	3	20
<b>TOTAL, SAL REVENUES AND TRANSFERS .....</b>	<b>\$48,253</b>	<b>\$9,914</b>	<b>\$58,167</b>	<b>\$52,147</b>	<b>\$10,299</b>	<b>\$62,446</b>	<b>\$54,994</b>	<b>\$10,697</b>	<b>\$65,691</b>
<b>Schedule 12-E:</b>									
Less: Exclusions .....	-18,049	-5,015	-23,064	-18,769	-5,231	-24,000	-19,888	-5,459	-25,347
<b>TOTAL, SAL APPROPRIATIONS .....</b>			<b>\$35,103</b>			<b>\$38,446</b>			<b>\$40,344</b>
<b>CALCULATION OF LIMIT ROOM:</b>									
Appropriations Limit (Sec. 12.00) .....			\$42,002			\$44,778			\$48,106
Less: Total SAL Appropriations .....			-35,103			-38,446			-40,344
Appropriation Limit Room/(Surplus) .....			\$6,899			\$6,332			\$7,762

**Schedule 12-B**  
**STATE APPROPRIATIONS LIMIT**  
**REVENUES TO EXCLUDED FUNDS**  
**(Dollars In Thousands)**

Source Code	Source	Actual 1996-97	Estimated 1997-98	Estimated 1998-99
<b>MAJOR REVENUES:</b>				
110500	Cigarette Tax .....	\$462,900	\$452,900	\$446,000
110900	Horse Racing Fees-Licenses .....	27,986	26,058	25,763
111100	Horse Racing Fines and Penalties .....	980	907	897
111300	Horse Racing Miscellaneous .....	8,730	9,041	8,985
114300	Other Motor Vehicle Fees .....	805	840	840
	<b>TOTAL, MAJOR TAXES AND LICENSES .....</b>	<b>\$501,401</b>	<b>\$489,746</b>	<b>\$482,485</b>
<b>MINOR REVENUES:</b>				
<b>REGULATORY TAXES AND LICENSES:</b>				
120200	General Fish and Game Taxes .....	\$2,396	\$2,593	\$2,460
120300	Energy Resource Surcharge .....	42,974	146,184	198,008
120600	Quarterly Public Util Commission Fees .....	66,493	58,527	58,327
120900	Off-Highway Vehicle Fees .....	1,343	1,300	1,329
121000	Liquor License Fees .....	32,459	34,345	38,745
121100	Genetic Disease Testing Fees .....	52,786	54,206	53,479
121200	Other Regulatory Taxes .....	53,494	42,161	42,972
121300	New Motor Vehicle Dealer License Fee .....	1,450	1,485	1,493
121500	General Fish and Game Lic Tags Permits .....	67,490	72,316	73,971
122400	Elevator and Boiler Inspection Fees .....	9,842	9,788	9,788
122700	Employment Agency License Fees .....	373	760	914
122900	Teacher Credential Fees .....	11,690	12,419	12,879
123000	Teacher Examination Fees .....	7,757	6,417	6,217
123100	Insurance Co License Fees & Penalties .....	19,159	20,125	20,125
123200	Insurance Company Examination Fees .....	18,905	17,988	19,400
123400	Division of Real Estate Examination Fees .....	2,821	2,432	2,206
123500	Div of Real Estate License Fees .....	19,691	20,927	17,618
123600	Subdivision Filing Fees .....	5,605	6,021	6,480
123800	Building Construction Filing Fees .....	2,289	2,010	1,872
124000	Savings & Loan Fees .....	2	-	50
124100	Domestic Corporation Fees .....	5,349	5,794	5,794
124200	Foreign Corporation Fees .....	885	935	935
124300	Notary Public License Fees .....	825	840	840
124400	Filing Financing Statements .....	7,825	7,594	7,594
125100	Beverage Container Redemption Fees .....	342,890	345,510	343,563
125300	Processing Fees .....	15,830	14,549	29,987
125400	Hazardous Waste Control Fees .....	47,379	37,882	47,551
125600	Other Regulatory Fees .....	381,727	418,931	480,549
125700	Other Regulatory Licenses and Permits .....	214,801	232,872	231,772
125800	Renewal Fees .....	124,205	119,979	118,007
125900	Delinquent Fees .....	2,609	2,502	2,407
127100	Insurance Department Fees, Prop 103 .....	26,062	22,905	22,905
127200	Insurance Department Fees, General .....	10,327	11,739	12,191
127300	Insurance Fraud Assessment, Workers Comp .....	25,000	28,500	28,500
127400	Insurance Fraud Assessment, Auto .....	14,076	17,896	17,586
127500	Insurance Fraud Assessment, General .....	1,360	1,387	1,387
	<b>TOTAL, REGULATORY TAXES AND LICENSES .....</b>	<b>\$1,640,169</b>	<b>\$1,781,819</b>	<b>\$1,919,901</b>
<b>REVENUES FROM LOCAL AGENCIES:</b>				
130600	Architecture Public Building Fees .....	\$29,651	\$29,693	\$29,078
130700	Penalties on Traffic Violations .....	86,986	88,408	88,408
130800	Penalties on Felony Convictions .....	33,460	34,000	35,000
130900	Fines-Crimes of Public Offense .....	6,729	9,000	10,000
131000	Fish and Game Violation Fines .....	421	18,778	24,778
131100	Penalty Assessments on Fish & Game Fines .....	507	653	653
131200	Interest on Loans to Local Agencies .....	287	260	200

**Schedule 12-B—Continued  
STATE APPROPRIATIONS LIMIT  
REVENUES TO EXCLUDED FUNDS  
(Dollars In Thousands)**

Source Code	Source	Actual 1996-97	Estimated 1997-98	Estimated 1998-99
131300	Add'l Assmnts an Fish & Game Fines.....	42	60	60
131600	Fingerprint ID Card Fees.....	29,206	39,199	39,886
131700	Misc Revenue From Local Agencies.....	3,832	4,800	5,500
	<b>TOTAL, REVENUES FROM LOCAL AGENCIES .....</b>	<b>\$191,121</b>	<b>\$224,851</b>	<b>\$233,563</b>
SERVICES TO THE PUBLIC:				
140600	State Beach and Park Service Fees .....	\$54,108	\$53,165	\$55,015
140900	Parking Lot Revenues .....	5,704	7,177	7,182
141200	Sales of Documents .....	1,098	1,000	1,012
142000	General Fees-Secretary of State.....	11,589	11,733	11,733
142200	Parental Fees .....	1,809	2,100	2,250
142500	Miscellaneous Services to the Public.....	20,549	21,869	22,565
142800	California State University Fees .....	627,095	619,275	614,275
143000	Personalized License Plates .....	31,274	30,438	29,635
	<b>TOTAL, SERVICES TO THE PUBLIC .....</b>	<b>\$753,226</b>	<b>\$746,757</b>	<b>\$743,667</b>
USE OF PROPERTY AND MONEY:				
150200	Income From Paaid Maney Investments .....	\$1,017	\$987	\$887
150300	Income From Surplus Maney Investments .....	74,793	61,711	66,436
150400	Interest Income From Laans .....	2,296	2,382	2,542
150600	Income From Other Investments.....	206	304	298
151200	Income From Condemnation Deposits Fund.....	3	3	3
151800	Federal Lands Royalties.....	20,274	18,905	18,905
152200	Rentals of State Property .....	2,615	2,700	2,303
152300	Misc Revenue Frm Use of Property & Maney.....	12,614	14,610	14,068
152400	Schaal Lands Royalties.....	17	16	16
152500	State Lands Royalties.....	-	30,347	55,381
	<b>TOTAL, USE OF PROPERTY AND MONEY .....</b>	<b>\$113,835</b>	<b>\$131,965</b>	<b>\$160,839</b>
MISCELLANEOUS:				
160200	Penalties & Interest an UI & DI Cantrib.....	\$48,039	\$47,378	\$47,017
160400	Sale of Fixed Assets .....	34	29	29
160500	Sale of Confiscated Property .....	22	22	22
160600	Sale of State's Public Lands.....	29	320	20
161000	Escheat of Unclaimed Checks & Warrants .....	313	240	238
161300	Subsequent Injuries Revenue.....	2,444	3,300	3,300
161400	Miscellaneous Revenue .....	43,377	76,829	74,030
161800	Penalties & Intrst an Personal Income Tx .....	16,737	17,568	17,760
161900	Other Revenue-Cast Recaveries.....	26,134	22,436	14,128
164100	Traffic Violations.....	7,160	7,160	7,160
164200	Parking Violations .....	120	75	75
164300	Penalty Assessments .....	46,436	49,489	49,189
164400	Civil & Criminal Vialatian Assessment.....	3,228	2,714	2,714
	<b>TOTAL, MISCELLANEOUS .....</b>	<b>\$194,073</b>	<b>\$227,560</b>	<b>\$215,682</b>
	<b>TOTAL, MINOR REVENUES .....</b>	<b>\$2,892,424</b>	<b>\$3,112,952</b>	<b>\$3,273,652</b>
	<b>TOTALS, REVENUES TO EXCLUDED FUNDS (MAJOR and MINOR) .....</b>	<b>\$3,393,825</b>	<b>\$3,602,698</b>	<b>\$3,756,137</b>



**Schedule 12-C**  
**STATE APPROPRIATIONS LIMIT**  
**NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT**  
**(Dollars In Thousands)**

Source Code	Source	Actual 1996-97		Estimated 1997-98		Estimated 1998-99	
		General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
MAJOR REVENUES:							
111100	Horse Racing Fines and Penalties.....	\$86	-	\$76	-	\$75	-
111200	Horse Racing Fees-Unclaimed P-M Tickets.....	414	-	393	-	389	-
111300	Horse Racing Miscellaneous.....	18	-	24	-	24	-
114200	Driver's License Fees.....	-	\$111,818	-	\$135,000	-	\$140,000
114300	Other Motor Vehicle Fees.....	-	36,088	-	43,000	-	55,333
114400	Identification Card Fees .....	-	6,987	-	7,000	-	7,000
TOTAL, MAJOR TAXES AND LICENSES .....		\$518	\$154,893	\$493	\$185,000	\$488	\$202,333
MINOR REVENUES:							
REGULATORY TAXES AND LICENSES:							
120800	Hwy Carrier Uniform Business License Tax.....	\$3,552	-	\$250	-	\$250	-
120900	Off-Highway Vehicle Fees.....	-	\$2,157	-	\$2,100	-	\$2,100
121200	Other Regulatory Taxes.....	10,018	-	10,816	-	10,877	-
122400	Elevator and Boiler Inspection Fees .....	308	-	165	-	165	-
122600	Industrial Homework Fees .....	7	-	7	-	7	-
122700	Employment Agency License Fees .....	560	-	500	-	500	-
122800	Employment Agency Filing Fees.....	14	-	17	-	17	-
124500	Candidate Filing Fee.....	1	-	663	-	75	-
125200	Explosive Permit Fees.....	2	-	2	-	2	-
125600	Other Regulatory Fees .....	74,487	-	72,310	-	9,296	-
125700	Other Regulatory Licenses and Permits.....	33,605	18,001	30,193	18,304	33,405	18,322
125900	Delinquent Fees .....	1	-	1	-	1	-
TOTAL, REGULATORY TAXES AND LICENSES .....		\$122,555	\$20,158	\$114,924	\$20,404	\$54,595	\$20,422
REVENUES FROM LOCAL AGENCIES:							
130100	Trial Court Revenues .....	\$316,329	-	\$157,500	-	-	-
131500	Narcotic Fines.....	2,167	-	2,100	-	\$2,100	-
131700	Misc Revenue From Local Agencies.....	542	\$481	519	\$500	519	\$500
131900	Rev Local Govt Agencies-Cost Recoveries .....	2,973	-	2,863	-	2,863	-
TOTAL, REVENUES FROM LOCAL AGENCIES .....		\$322,011	\$481	\$162,982	\$500	\$5,482	\$500
SERVICES TO THE PUBLIC:							
140100	Poy Patients Boord Charges .....	\$23,110	-	\$18,447	-	\$17,166	-
141000	Fire Prevention and Suppression.....	-	-	100	-	100	-
141200	Sales of Documents.....	448	\$1,172	432	\$1,265	432	\$1,255
142000	General Fees-Secretary of State .....	64	-	31	-	61	-
142300	Guordionship Fees.....	11	-	15	-	15	-
142500	Miscellaneous Services to the Public .....	4,530	51,813	3,913	65,811	3,928	65,825
142600	Receipts From Health Care Deposit Fund.....	8,000	-	8,000	-	8,000	-
142700	Medicare Receipts Frm Federal Government...	7,132	-	7,400	-	6,900	-
TOTAL, SERVICES TO THE PUBLIC.....		\$43,295	\$52,985	\$38,338	\$67,076	\$36,602	\$67,080
USE OF PROPERTY AND MONEY:							
152000	Oil & Gas Lease-1% Revenue City/County .....	\$226	-	\$190	-	\$180	-
152200	Rentals of State Property .....	7,631	\$26,145	6,371	\$29,939	6,492	\$29,562
152300	Misc Revenue Frm Use of Property & Money ....	15,869	5,569	20,000	5,560	21,000	5,550
152500	State Lands Royalties .....	90,402	-	31,623	-	9,614	-
TOTAL, USE OF PROPERTY AND MONEY .....		\$114,128	\$31,714	\$58,184	\$35,499	\$37,286	\$35,112
MISCELLANEOUS:							
160400	Sale of Fixed Assets.....	\$51,181	-	\$34,908	-	\$53,971	-
160500	Sole of Confiscated Property.....	4,674	-	1,587	-	1,587	-

**Schedule 12-C—Continued**  
**STATE APPROPRIATIONS LIMIT**  
**NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT**  
**(Dollars In Thousands)**

Source Code	Source	Actual 1996-97		Estimated 1997-98		Estimated 1998-99	
		General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
160600	Sale of State's Public Lands .....	95	32	100	250	100	250
160700	Proceeds From Estates of Deceased Person .....	-49	-	20	-	20	-
160900	Revenue-Abandoned Property .....	190,464	-	155,000	-	155,000	-
161000	Escheat of Unclaimed Checks & Warrants .....	4,215	50	3,216	50	3,216	50
161400	Miscellaneous Revenue .....	36,790	15,445	35,089	14,742	34,516	19,139
164200	Parking Violations .....	3,198	-	3,402	-	3,602	-
164300	Penalty Assessments .....	17,579	-	11,820	-	11,820	-
164400	Civil & Criminal Violation Assessment .....	297	-	238	-	238	-
	<b>TOTAL, MISCELLANEOUS .....</b>	<u>\$308,444</u>	<u>\$15,527</u>	<u>\$245,380</u>	<u>\$15,042</u>	<u>\$264,070</u>	<u>\$19,439</u>
	<b>TOTAL, MINOR REVENUES .....</b>	<u>\$910,433</u>	<u>\$120,865</u>	<u>\$619,808</u>	<u>\$138,521</u>	<u>\$398,035</u>	<u>\$142,553</u>
	<b>TOTALS, NON-TAX REVENUE</b>						
	<b>(MAJOR and MINOR) .....</b>	\$910,951	\$275,758	\$620,301	\$323,521	\$398,523	\$344,886

**Schedule 12-D**  
**STATE APPROPRIATIONS LIMIT**  
**TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS**  
**(Dollars in Thousands)**

	Actual 1996-97		Estimated 1997-98		Estimated 1998-99	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Transfers Per Section 12.20, Budget Acts of 1996 & 1998.	\$87	-	-	-	\$98	-
From Alcohol Beverage Control Fund (0081) to General Fund (0001) (Per Business and Professions Code 25761) .....	5,250	-	\$4,900	-	4,900	-
From Rodon Contractor Certification Fund (0092) to General Fund (0001) (Rodon Contractor Certification Fund).....	-	-	50	-	-	-
From Oil Refinery and Chemical Plant Safety Fund, California (0105) to General Fund (0001) (Per Government Code Section 16346, CA Oil Refin- ery).....	33	-	-	-	-	-
From Water Fund, California (0144) to General Fund (0001) (Per Item 3860-012-0144, Budget Act of 1997) .....	-	-	13,200	-	-	-
From Energy and Resource Fund (0188) to General Fund (0001) (Per Chapter 908, Statutes of 1980) .....	477	-	595	-	422	-
From Fair and Exposition Fund (0191) to General Fund (0001) (Per Item 8570-011-0191) .....	246	-	246	-	246	-
From Business Fees Fund, Secretary of State's (0228) to General Fund (0001) (Per Chapter 1059, Statutes of 1991) .....	5,158	-	3,475	-	7,706	-
From Public Facilities and Local Agency Disaster Response Account (Abolished 7/1/97) (0251) to General Fund (0001) (Per Government Code Section 16346).....	942	-	-	-	-	-
From Street and Highway Account (Abolished 7/1/97) (0254) to General Fund (0001) (Per Government Code Section 16346).....	13	-	-	-	-	-
From Motor Carriers Permit Fund (0292) to General Fund (0001) (Per Chapter 1042, Statutes of 1996) .....	2,804	-	3,258	-	3,258	-
From Environmental License Plate Fund, California (0140) to Motor Vehicle Account, State Transportation Fund (0044) (Section 21191(B), Public Resources Code).....	-	4,152	-	3,546	-	3,546



**Schedule 12-D—Continued**  
**STATE APPROPRIATIONS LIMIT**  
**TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS**  
**(Dollars in Thousands)**

	Actual 1996-97		Estimated 1997-98		Estimated 1998-99	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
From Public Facilities and Local Agency Disaster Response Account (Abolished 7/1/97) (0251) to Disaster Relief Fund (0372) (Per Item 0690-101-0372, Budget Act of 1996) .....	-	193	-	-	-	-
From Street and Highway Account (Abolished 7/1/97) (0254) to Disaster Relief Fund (0372) (Per Item 0690-101-0372, Budget Act of 1996) .....	-	552	-	-	-	-
TOTALS.....	\$15,010	\$4,897	\$25,724	\$3,546	\$16,630	\$3,546

**Schedule 12-E**  
**STATE APPROPRIATIONS LIMIT**  
**EXCLUDED APPROPRIATIONS**  
(In Millions)

Budget	Fund	Actual 1996-97	Estimated 1997-98	Estimated 1998-99
<b>DEBT SERVICE:</b>				
9600 Bond Interest and Redemption (9600-510-0001)	General	\$1,919	\$1,888	\$2,011
(9590-501-0001)	General	5	8	8
3960 Chopter 376/84 Toxics (3960-535-0484)	Special	11	6	6
Lease-Revenue Bonds (Capitol Outlay)	General	414	373	475
Lease-Revenue Bonds (Capitol Outlay)	Special	38	42	44
<b>TOTAL DEBT SERVICE</b>		<u>\$2,387</u>	<u>\$2,317</u>	<u>\$2,544</u>
<b>CAPITAL OUTLAY:</b>				
Various	General	\$62	\$90	\$152
Various	Special	43 <sup>a</sup>	66 <sup>a</sup>	70 <sup>a</sup>
<b>TOTAL CAPITAL OUTLAY</b>		<u>\$105</u>	<u>\$156</u>	<u>\$222</u>
<b>SUBVENTIONS:</b>				
6100 K-12 Apportionments (6100-601-0001)	General	\$11,057	\$11,619	\$12,075
6100 County Offices (6100-608-0001)	General	163	176	234
6870 Community Colleges (6870-101-0001)	General	1,478	1,533	1,675
<b>SUBVENTIONS—EDUCATION</b>		<u>\$12,698</u>	<u>\$13,328</u>	<u>\$13,984</u>
5195 State-Local Realignment Vehicle License Fees	Special	\$851	\$894	\$939
Vehicle License Collection Account	Special	14	14	14
9100 Tax Relief (9100-101-0001)	General	432	442	446
Renter's Tax Credit	General	1	-	-
9210 Local Government Financing (9210-103-0001)	General	2	2	2
(9210-603-0001)	General	3	3	3
9350 Shared Revenues (9430-640-0064)	Special	2,504	2,607	2,741
<b>SUBVENTIONS—OTHER</b>		<u>\$3,807</u>	<u>\$3,962</u>	<u>\$4,145</u>
<b>MANDATES:</b>				
6100 K-12 Desegregation (6100-114-0001)	General	\$449	\$471	\$491
(6110-115-0001)	General	112	118	123
6100 K-12 Medicare	General	45	45	45
6300 Contribution to STRS (6300-602-0001)	General	550	587	647
6870 Community Colleges Medicare	General	5	5	5
Federal (Various Health and Welfare)	General	1,352	1,409	1,496
<b>TOTAL MANDATES</b>		<u>\$2,513</u>	<u>\$2,635</u>	<u>\$2,807</u>
<b>PROPOSITION 111:</b>				
Motor Vehicle Fuel Tax: Gasoline	Special	\$1,179	\$1,212	\$1,242
Motor Vehicle Fuel Tax: Diesel	Special	184	198	210
Weight Fee Revenue	Special	191	192	193
<b>TOTAL PROPOSITION 111</b>		<u>\$1,554</u>	<u>\$1,602</u>	<u>\$1,645</u>
<b>TOTAL EXCLUSIONS:</b>		<b>\$23,064</b>	<b>\$24,000</b>	<b>\$25,347</b>
General Fund		\$18,049	\$18,769	\$19,888
Special Funds		\$5,015	\$5,231	\$5,459

<sup>a</sup> Excludes Proposition 111 Capital Outlay





















